



بنك الإمارات دبي الوطني  
Emirates NBD

Economics  
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## Dubai Economy Tracker: Q1 2017 growth strongest in 2 yrs

The Emirates NBD Dubai Economy Tracker Index (DETI) rose to 56.6 in March from 56.2 in February, on the back of stronger output and new work growth. Inventories also increased at a faster rate last month. The DETI for Q1 2017 averaged 56.7, indicating the fastest rate of growth in Dubai's non-oil private sector since Q1 2015.

Employment grew marginally in March, with this index rising to 50.7 in March from 49.9 in February. Overall, employment growth has been slow in Q1 2017, with this index averaging just 50.6, compared with 53.4 in Q1 2015.

Margins remain under pressure, with input costs rising at a slightly faster rate in March (51.8) while output prices continued to decline on average (48.7). The rate of decline in selling prices last month was similar to February. Indeed, 'successful promotional activities' was cited by survey respondents as contributing to the strong rise in output and new work in March.

Despite the rise in the headline DET index, business optimism eased to the lowest level since August 2016 with only 30% of firms expecting output to be higher in 12 months' time compared with nearly 47% of firms in February.

### Emirates NBD Dubai Economy Tracker Index



Source: IHS Markit, Emirates NBD Research

### Wholesale & retail trade continues to outperform in March

The wholesale & retail trade sector was once again the best performing of the three key sectors surveyed last month. The sector index eased slightly from the record high in February, but still indicates a strong rate of growth in the sector at 57.1.

Both output and new work indices remained above 60.0 but were lower than February's readings. While firms continued to discount selling prices in March (prices charged index at 47.8), the extent of price discounting in the sector was the least since November 2015. However, input prices rose at the fastest rate since April 2016, further eroding margins.

Despite strong growth in output and new orders, employment in the wholesale & retail trade sector declined marginally in March, for the second month in a row. Business optimism remains high, but the index declined to 71.3 in March, the lowest reading in seven months.

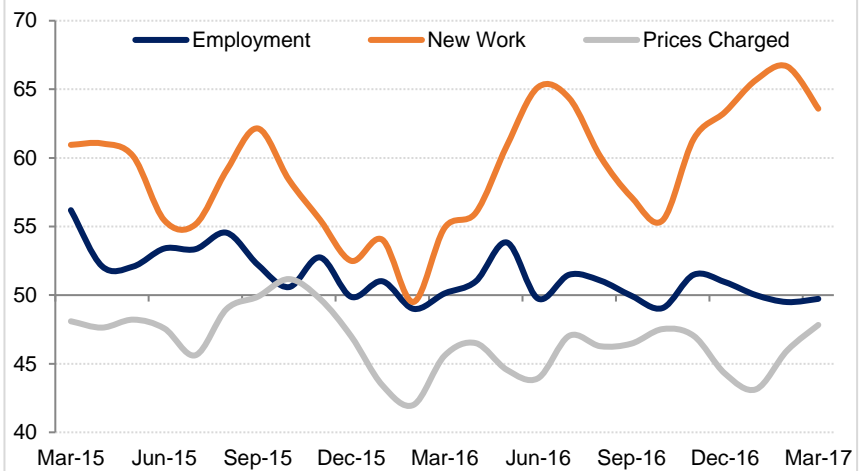
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## Wholesale & retail sector indicators



Source: IHS Markit, Emirates NBD Research

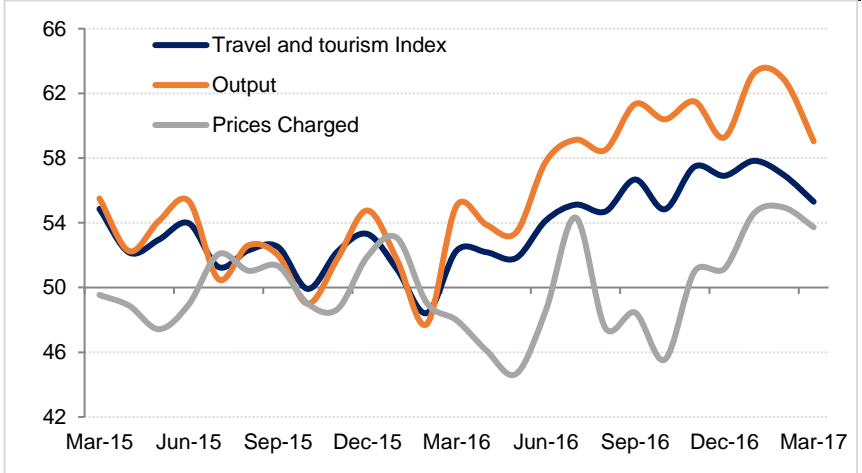
### Prices in travel & tourism sector continue to rise

The headline travel & tourism index eased to a still-solid 55.3 in March from 57.0 in February. Output (59.0) and new work (61.2) indices declined last month signaling slower growth in these components, although both indices are sharply higher compared with a year ago.

Furthermore, firms in this sector increased selling prices (53.7) on average in March, marking the fifth straight month of output price rises. However, the rate of output price inflation was less than in January and February. Input costs were contained in March and employment was unchanged.

Similar to the rest of Dubai, business optimism was softer in the travel & tourism sector in March, but the index remains high overall at 73.6.

## Travel & tourism sector indicators



Source: IHS Markit, Emirates NBD Research

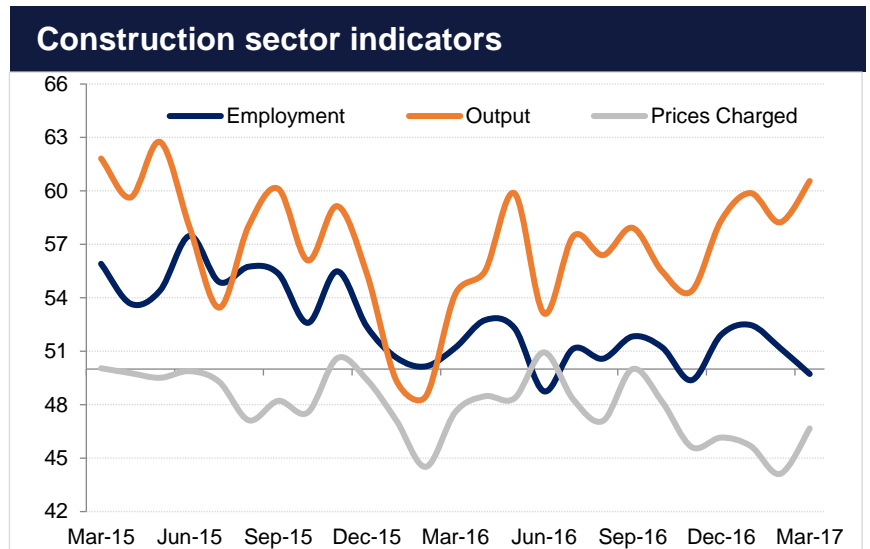
### Construction sector index rises in March

The construction sector index rose to 54.8 in March from 53.3 in February, signaling a faster rate of growth in this sector last month. New work growth accelerated sharply in March with this index jumping to 59.4 from 55.9 in February.

**Output** growth also accelerated last month with this index reaching 60.6, the highest reading since May 2015.

Despite the strong rise in output and new work, **employment** in the construction sector was broadly unchanged in March. Firms continued to cut **selling prices** to secure new work, but the extent of price cuts was the weakest since October 2016. **Input costs** rose slightly in March, further squeezing margins.

Encouragingly, firms were slightly more **optimistic** in March (72.5) compared with February, and **inventories** rose at the fastest rate on record as businesses anticipated future order growth.



Source: IHS Markit, Emirates NBD Research

Overall, the Dubai Economy Tracker survey suggests that Dubai’s economy grew at a faster rate in Q1 2017 than Q1 2016 (and indeed even Q4 2016). However, this growth has not been reflected in higher employment; the employment index was only slightly above the ‘no change’ level in Q1 2017 and lower than Q1 2016.

*For a more detailed discussion of how the DET index is compiled and what it measures, please see our research note, “PMIs – a closer look” published on 14 March 2017.*

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