



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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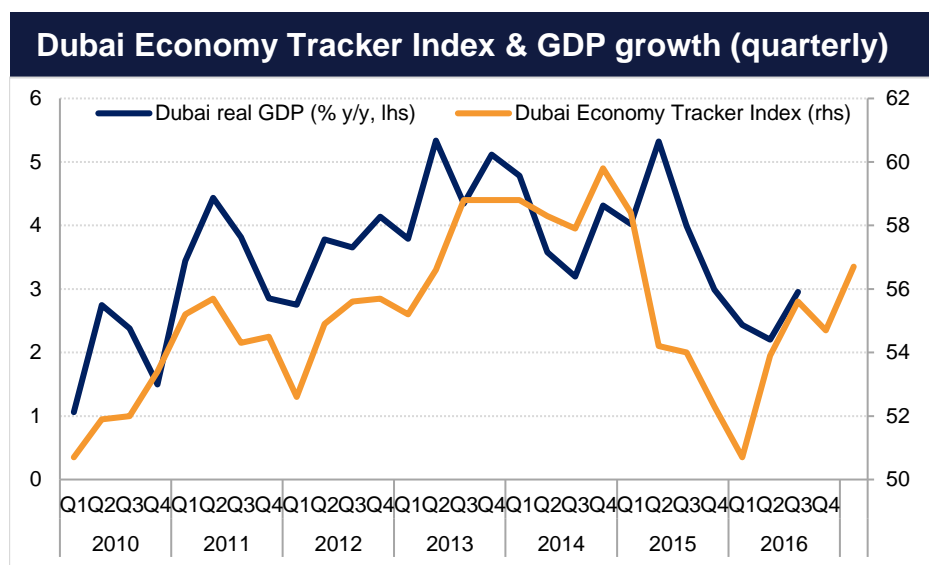
Khatija Haque
Head of MENA Research
+971 4 230 7803
khatijah@emiratesnbd.com

Dubai Economy Tracker eases off 2-year high

The Emirates NBD Dubai Economy Tracker Index (DETI) declined to 55.0 in May from a 26-month high of 57.7 in April. The survey pointed to strong but slower growth in Dubai's economy last month, which is consistent with the UAE and Saudi Arabia PMI surveys for May. Output (58.0) and new work (59.0) were both lower m/m but the May readings still signaled a strong expansion in business activity and new orders. Firms surveyed indicated that more projects, particularly in the construction sector, had boosted business activity in May.

Employment (50.7) rose slightly in May, but the overall rate of job growth remains weak in the context of strong rises in output and new orders. Input costs were close to unchanged last month as were selling prices. The latter is particularly encouraging after seven months of price discounting. Firms remained strongly optimistic about their prospects over the next 12 months, with the business expectations index rising to 71.3 in May.

The Dubai Economy Tracker Index is a good proxy indicator for Dubai's real GDP growth. Our analysis shows that the correlation between the average quarterly reading for the DETI and official real GDP growth in Dubai is 68%. The rise in the DETI year-to-date provides support for our view that Dubai's economic growth is likely to accelerate this year.

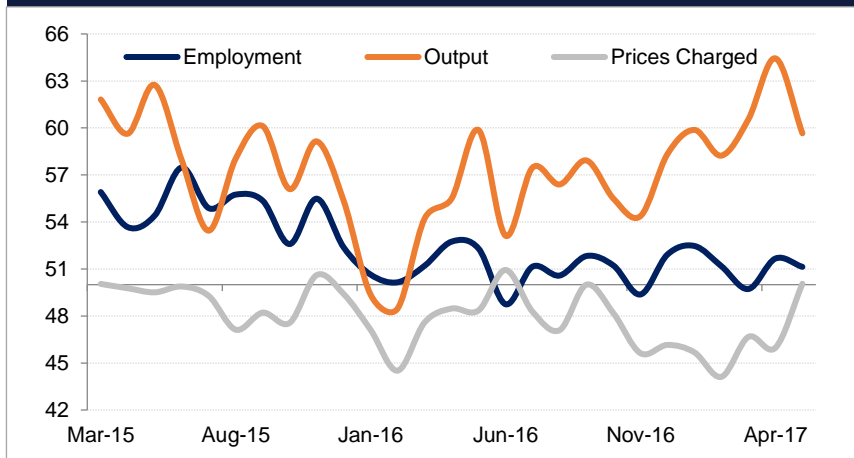


Source: IHS Markit, Emirates NBD Research

Construction sector outperforms in May

The construction sector index eased off April's high, to 56.2 in May, still signaling a strong expansion in the sector last month. Output and new work growth remained very strong in May, and businesses were more optimistic about the prospects for the coming year. Input cost inflation eased in May, and selling prices were stable after significant discounting in the prior seven months. Employment increased in May at a slightly slower rate than in April, and remains weak overall. We expect the construction sector to continue to benefit as preparations for Expo2020 get underway in earnest over the coming year.

Construction sector indicators

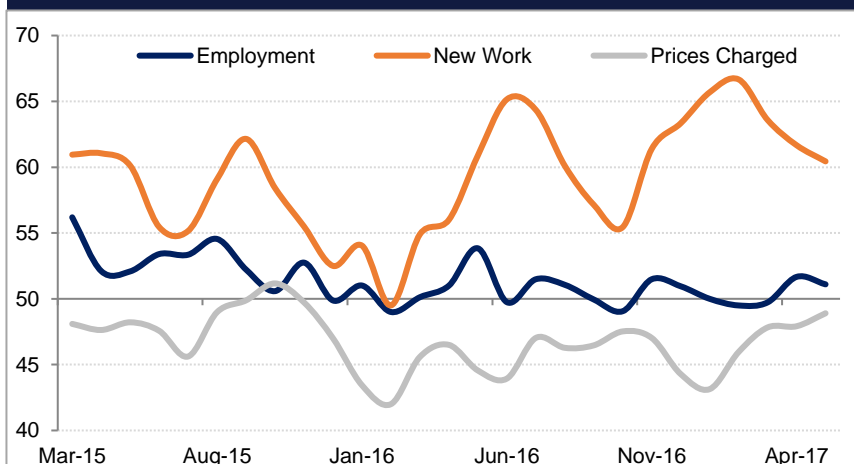


Source: IHS Markit, Emirates NBD Research

Wholesale & retail trade index declines to 55.5 in May

The wholesale & retail trade sector saw strong expansion in May, albeit at a slower rate than in April. New orders rose sharply, supported by further promotional activity although selling prices decreased at a slower rate than in March and April. Input costs were also broadly unchanged last month, providing some relief from the ongoing margin squeeze. Employment in the trade sector increased slightly in May and firms continued to build up inventories in anticipation of future demand, although at a slower rate than April. Business expectations rose in May despite the easing in output growth.

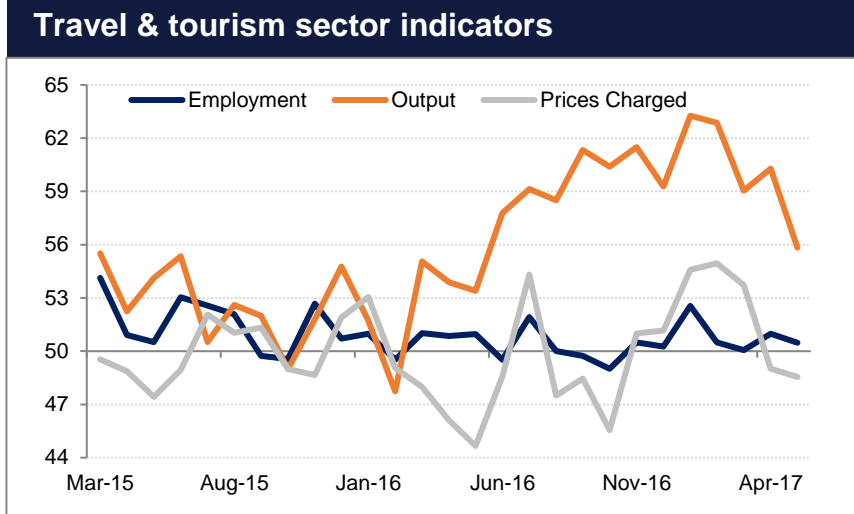
Wholesale & retail trade sector indicators



Source: IHS Markit, Emirates NBD Research

Travel & tourism sector growth slows in May

The travel & tourism sector index fell to 54.2 in May from 57.0 in April. Output and new work indices both declined sharply, although they still reflect solid growth at 55.8 and 58.3 respectively. Employment in this sector was broadly unchanged in May. Input costs declined for the second month in a row, as did output prices. However, firms in the travel & tourism sector were the most optimistic (relative to construction and wholesale & retail trade sectors) about the outlook for the coming year - the business expectations index rose to 79.8 in May, the highest reading since December 2016.



Source: IHS Markit, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research & Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalakar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com