



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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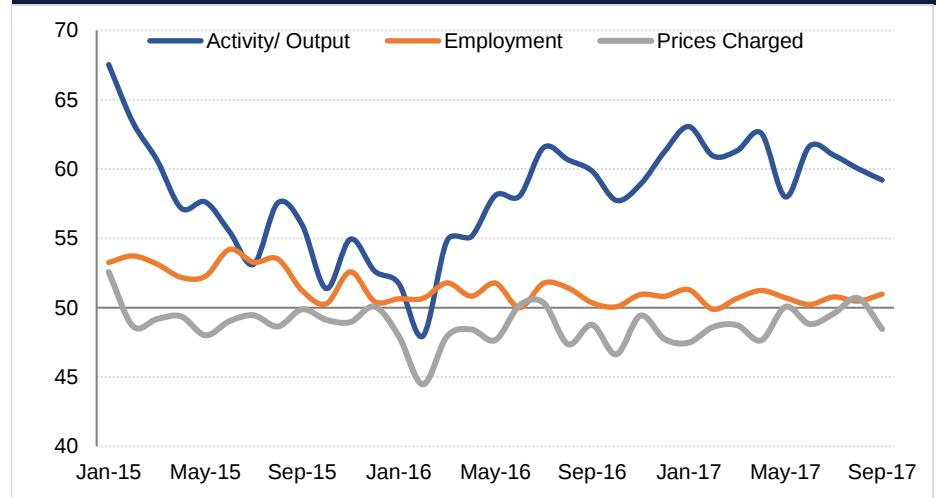
Dubai Economy Tracker: Softer in September

The Emirates NBD Dubai Economy Tracker Index (DETI) slipped to 55.2 in September from 56.3 in August, but still signals a solid rate of growth last month. Almost all the components of the index were weaker in September, except for employment which increased to 51.0, the highest reading since April. We note however, that the overall rate of job growth remains relatively weak, with only 3.6% of firms surveyed indicating that they increased employment in September and the vast majority of firms (95.4%) reporting no change.

Business output (59.2) and new work (60.3) posted the lowest readings in four months. While these (still high) readings point to a strong rate of growth in both components of the Tracker last month, there is further evidence of weaker demand in last month's survey as average prices charged declined at the sharpest rate in five months. Firms reported cutting selling prices in order to "stimulate client demand" and "remain competitive".

Encouragingly, firms were more optimistic on average in September, with the business expectations index rising to the highest level since May. Nearly 43% of firms surveyed expect their output to be higher in 12 months' time on the back of an expected "general economic upturn" and "product innovations".

Dubai Economy Tracker components



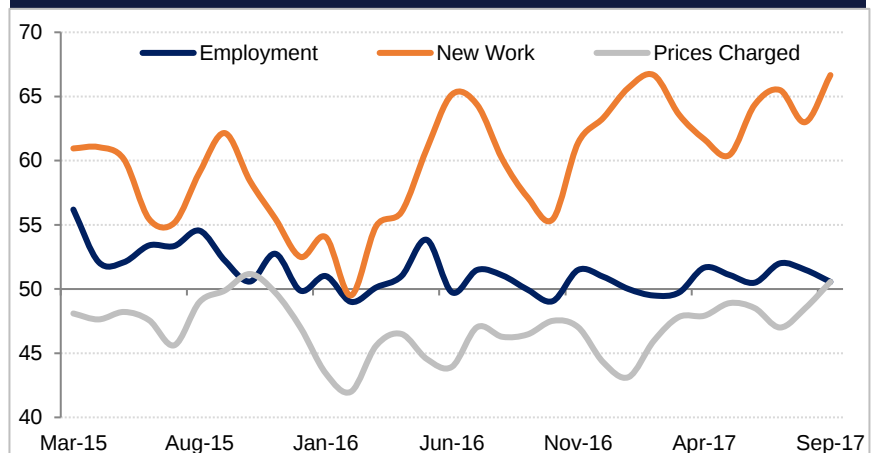
Source: IHS Markit, Emirates NBD Research

Wholesale & retail trade index rises sharply in September

After declining for most of Q3, the wholesale & retail trade sector index jumped to 58.1 in September. The main driver was surging new orders (66.7), which increased at the fastest rate since February. Some firms attributed the increase in new work to promotional activities. Output/ business activity in the sector also gained momentum in September, with this component reaching a 3-month high.

Importantly, average prices in the wholesale & retail trade sector were marginally positive last month at 50.6, the first time the selling price index has been above 50.0 in nearly two years. However, input cost inflation rose sharply last month, keeping pressure on margins. Despite the faster growth in output and new work, employment in the sector was close to unchanged in September. However, firms in the sector were the most optimistic since January 2017.

Wholesale & retail trade sector indicators



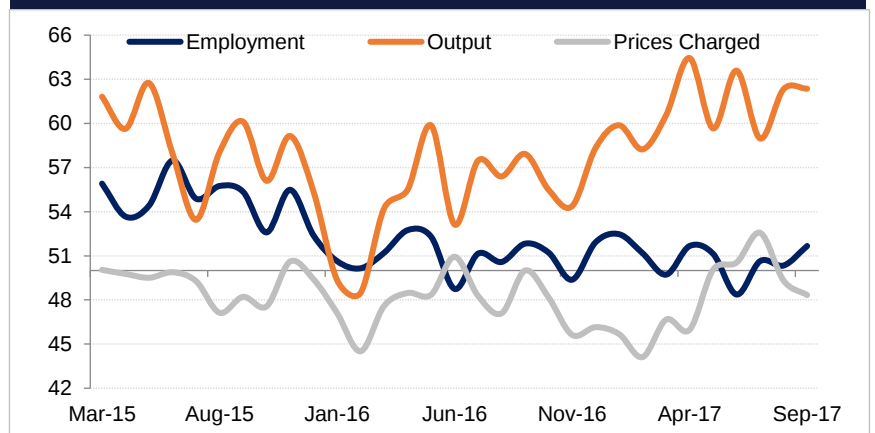
Source: IHS Markit, Emirates NBD Research

Construction sector index points to solid growth

The headline construction sector index eased slightly to 55.2 in September from 55.8 in August, but indicates a still solid rate of expansion in the sector last month. Output and new work increased strongly at 62.4 and 58.3 respectively. However, average selling prices declined for the second month in a row, and at the fastest rate since April. On the positive side, employment increased at the fastest rate since April.

Survey data suggests that growth in the construction sector has been much stronger year-to-date compared with the same period in 2016, which is in line with our expectations. The output index for the sector averaged 61.1 in January-September this year, compared with 54.7 in 2016, and new work averaged 60.3 versus 53.5 for the same period last year. Activity and growth in the construction sector has benefitted from new projects this year, and we expect growth in the sector to accelerate over the next few years as Dubai prepares to host the world expo in 2020.

Construction sector indicators



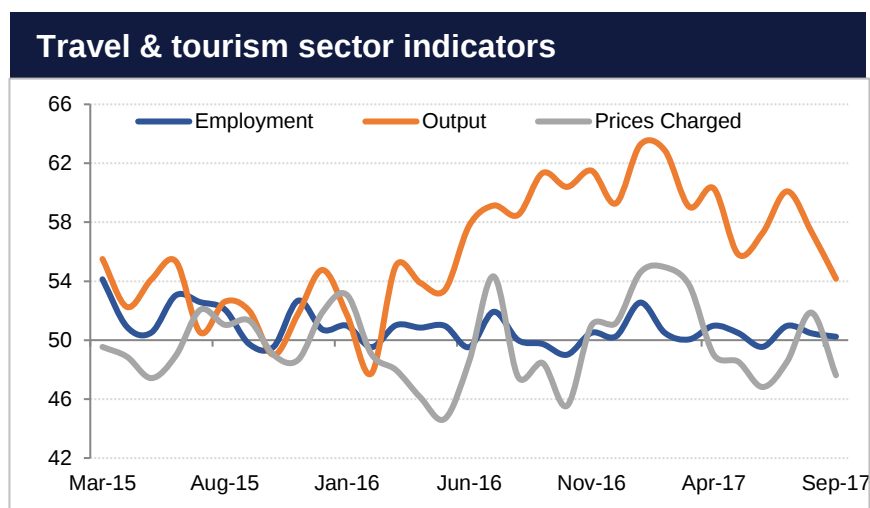
Source: IHS Markit, Emirates NBD Research

Travel & tourism sector slowed further in September

The travel & tourism index declined to 52.9 in September from 55.1 in August, the lowest reading since May 2016. Both output and new work increased at a much slower rate in September, despite significant output price declines. Selling prices

in September fell at the fastest rate since October 2016, while input costs declined only modestly. Employment was unchanged in September compared with August, which is unsurprising given the survey weakness across the sector.

Looking ahead however, firms in the travel and tourism sector were much more upbeat than they were in August. The business expectations index rose to 79.2 last month from 74.1 in August, with firms surveyed citing “planned business expansion and improvements in marketing” as factors likely to drive stronger output/ activity growth in the coming months.



Source: IHS Markit, Emirates NBD Research

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