



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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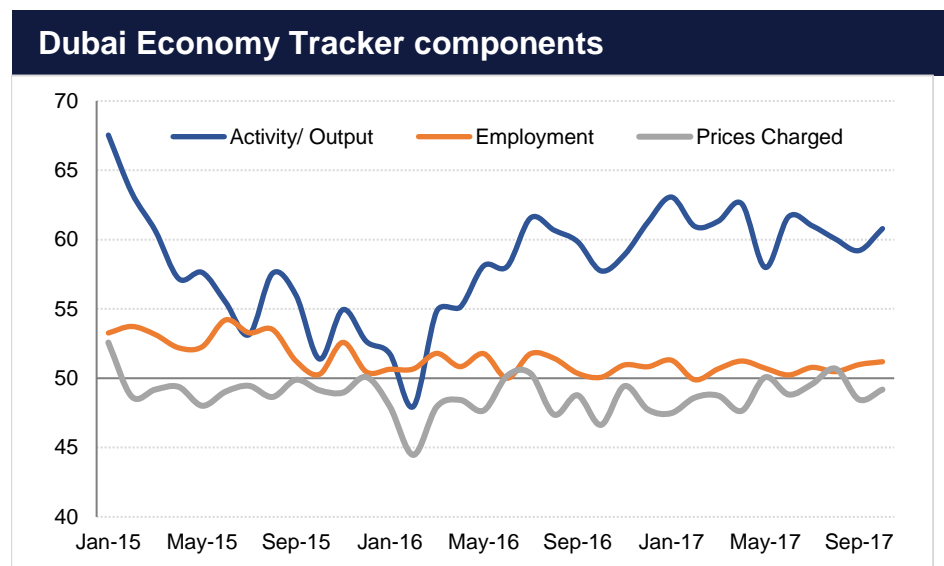
Dubai Economy Tracker: Solid expansion in October

The Emirates NBD Dubai Economy Tracker Index (DETI) increased slightly to 55.6 in October from 55.2 in September, as output and new orders increased at a strong rate. Employment also increased in October (index at 51.2), although the overall rate of jobs growth remains modest. Nearly 96% of firms surveyed indicated no change in their headcount last month.

As has been the case for most of the past year, firms cut selling prices on average in October, although to a smaller extent than in September. Nevertheless, margins continue to be squeezed as input costs increased at the fastest rate in more than two years. Firms cited intense competition as the key factor behind their inability to pass on rising input costs.

Despite the challenging operating environment, respondents were the most optimistic about the outlook for the next year than they have been since December 2016, citing upcoming new projects related to Expo 2020 and an expected upturn in general economic conditions.

All the sector indices rose in October, with the strongest reading once again in the wholesale & retail trade sector (60.0), followed by construction (56.3) and travel & tourism (53.9).



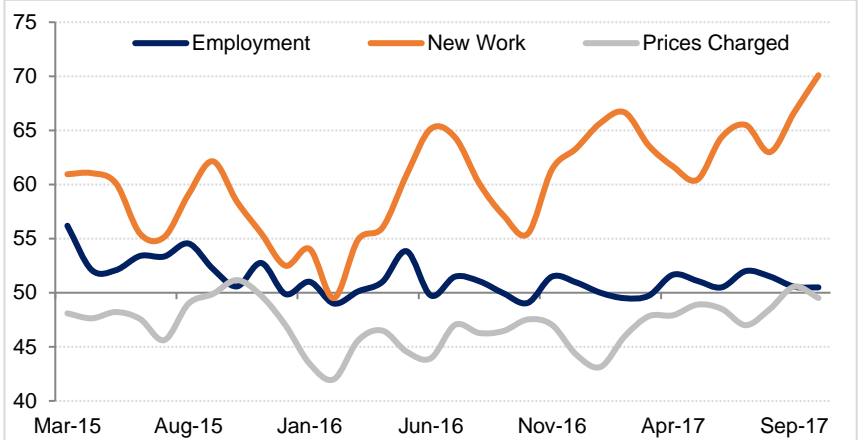
Source: IHS Markit, Emirates NBD Research

Wholesale & retail trade index reaches series high in October

The wholesale & retail trade sector index rose to a record high of 60.0 last month (the survey goes back to March 2015). Both output and new orders surged last month, with both indices rising to series highs of 65.7 and 70.1 respectively. Surprisingly, this strong performance was not due to heavy price discounting in the sector – the output price index stood at 49.5 last month, only marginally below the neutral level and signalling broadly stable selling prices last month. Input cost inflation also eased in October, providing some relief to margins.

Despite the strong growth in output and new work, employment in the wholesale & retail trade sector was broadly stable last month, with the index at 50.5. Businesses in the sector were strongly optimistic about the coming twelve months in the October survey, and this was also reflected in increased pre-production inventories, which rose at the fastest pace in the survey history.

Wholesale & retail trade sector indicators



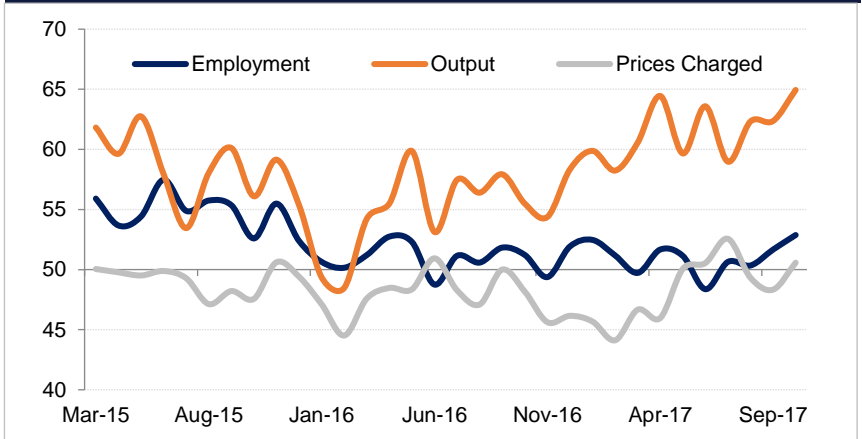
Source: IHS Markit, Emirates NBD Research

Construction sector index rises in October

Stronger output and new work growth helped push the construction sector index to 56.3 in October, with the output/ business activity component reaching a series high of 64.9. While not as high as readings in Q2 2017, the headline sector index nevertheless signals a faster expansion in the sector than in Q3 (average reading 55.3). Employment also increased at the fastest pace since November 2015, in the most labour intensive sector of Dubai’s economy.

The second tier survey data was also encouraging, with the construction sector seeing slightly higher selling prices on average in October after two months of price declines. Input costs rose at a slightly slower rate last month. Businesses surveyed were more optimistic in October, with the expectations index rising to the highest level since June 2015 as firms anticipated new projects related to Expo 2020.

Construction sector indicators



Source: IHS Markit, Emirates NBD Research

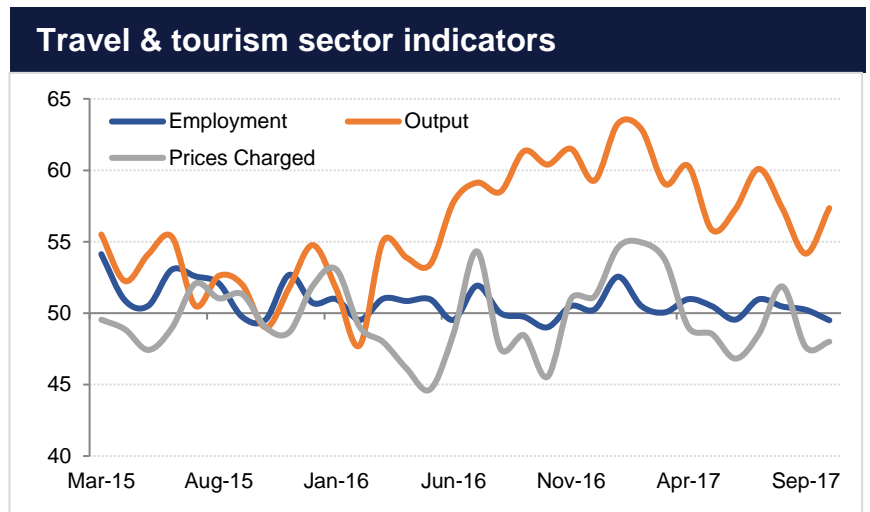
Travel & tourism sector activity picks up in October

The headline travel & tourism sector index rose to 53.9 in October from 52.9 in September, but still lower than the average reading year-to-date (55.6). Business activity (57.4) and new work (57.4) both rose at a faster pace last month relative to September, but the improvement in these indicators was offset by a slight

decline in average employment in the sector (49.5) and shorter delivery times by suppliers.

Average selling prices in this sector declined last month, which suggests that demand (reflected in rising business activity and new work) was supported to some extent by price discounting, even as input prices continued to rise.

Nevertheless, firms in the travel & tourism sector were very optimistic about the coming year, with the business expectations index rising to 80.5 in October. However, we note that this component of the survey is not seasonally adjusted and likely reflects optimism as we head into the high-season for tourism and hospitality in Dubai.



Source: IHS Markit, Emirates NBD Research

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