



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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Dubai Economy Tracker: A strong February for the tourism sector

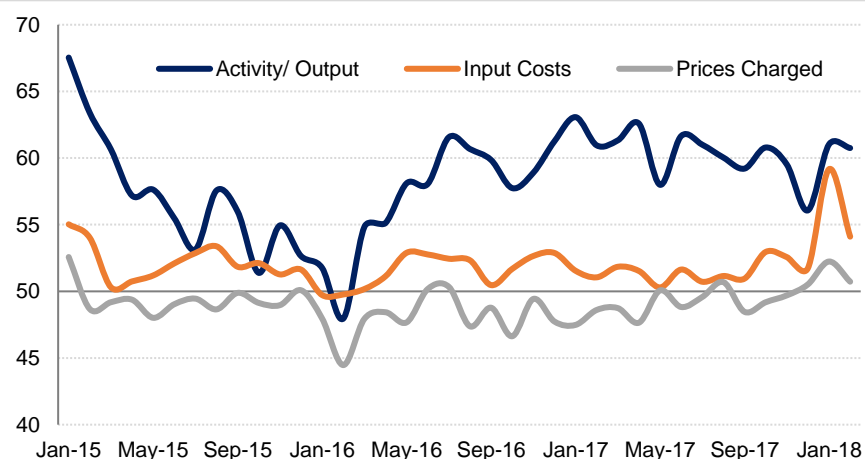
The headline Dubai Economy Tracker Index (DET) eased slightly to 55.8 in February, but still indicated a strong expansion in the non-oil private sector last month. Both new orders and business activity posted readings over 60.0, signaling very strong growth in those components of the survey.

Despite this, **employment levels were unchanged from January as firms continued to absorb rising input costs.** Although the rate of increase in input costs eased in February, firms still reported sharply higher costs last month. However, prices charged increased only marginally on average.

Inventory accumulation also slowed further in February, as many firms had built up inventories in December, before VAT came into effect. Business optimism was slightly weaker in February but firms remain strongly optimistic overall.

The sector surveys showed a sharp rebound in the tourism sector after a lackluster Q4 2017. The wholesale and retail trade sector also continued to perform strongly in February, while there was a slight loss of momentum in the construction sector last month.

Dubai Economy Tracker components



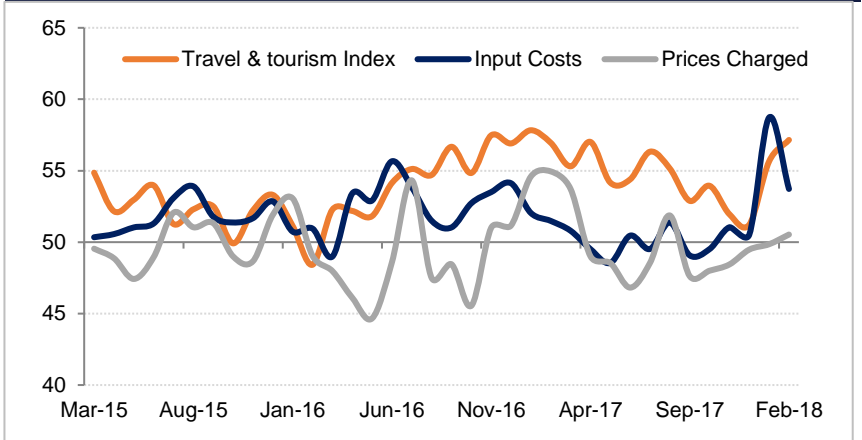
Source: IHS Markit, Emirates NBD Research

Travel & tourism index posts highest reading in 13 months

After a relatively soft Q4 2017 (with an average index reading of 52.4), the travel and tourism sector appears to have found its mojo in the first couple of months of this year. Output and new work rose at a sharp rate in February and input costs moderated after a spike in January (which was as a result of VAT).

After five consecutive months of price discounting, firms in the travel and tourism sector were able to marginally increase selling prices in February. However, employment decreased slightly after a rise at the start of this year. Firms in this sector were still optimistic about the coming year overall, but slightly less so than in previous months.

Travel & tourism sector indicators



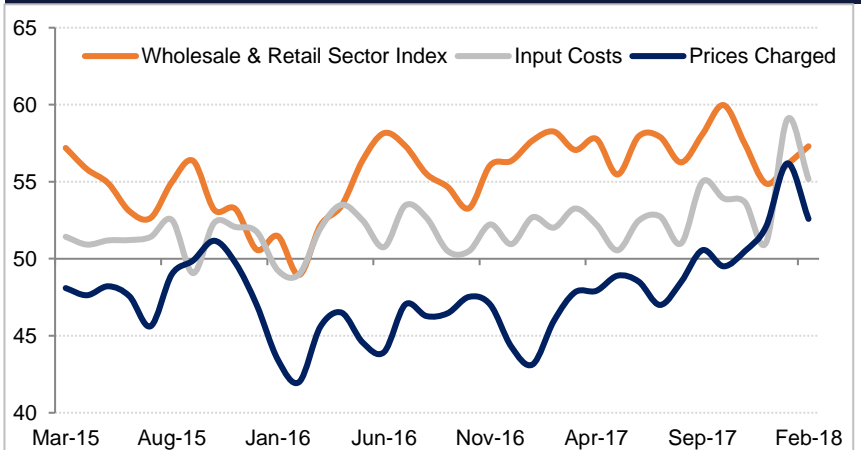
Source: IHS Markit, Emirates NBD Research

Wholesale & retail trade sector sees faster expansion in February

The wholesale and retail trade index rose to a three-month high of 57.3 in February, indicating a strong rate of growth in the sector. Both output and new orders growth were exceptionally strong. However, job growth was only marginal with the employment index at just 50.4, down from 51.9 in January.

Encouragingly, selling prices rose for the fourth month in a row, which shows that firms in the sector do have some pricing power, although input costs increased at a faster rate than output prices.

Wholesale & retail trade sector indicators



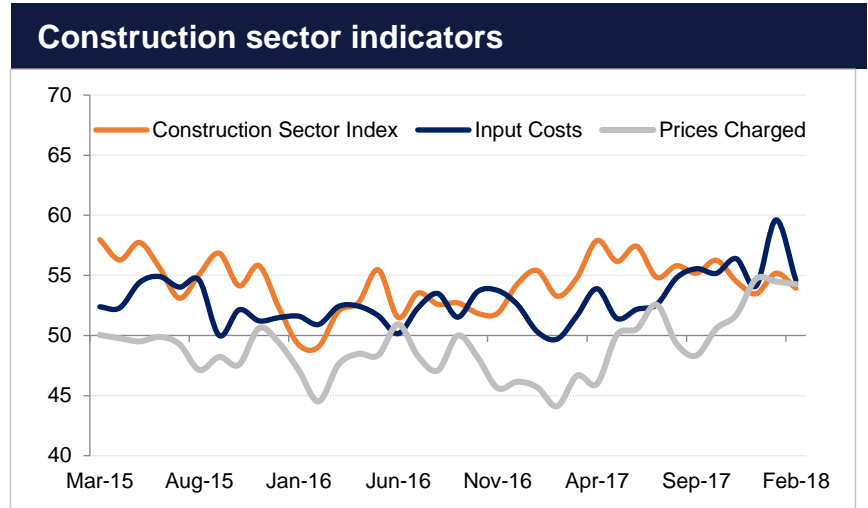
Source: IHS Markit, Emirates NBD Research

Construction sector slows in February.

Growth in the construction sector was slower in February, after a solid start to 2018. The sector index declined to 53.9 largely on the back of softer new orders growth and a marginal decline in employment in the sector. Output increased sharply in February but at a slightly slower rate than in January. Nevertheless, optimism in the sector remains high.

Input costs rose again in February but the rate of increase was weaker than in January, which was expected due to the one of impact of VAT last month. The

higher production costs were largely passed on through higher selling prices. We expect construction sector activity this year to be underpinned by increased infrastructure and development spending, as Dubai gears up for Expo 2020.



Source: IHS Markit, Emirates NBD Research

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