



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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Dubai Economy Tracker: Stable in February

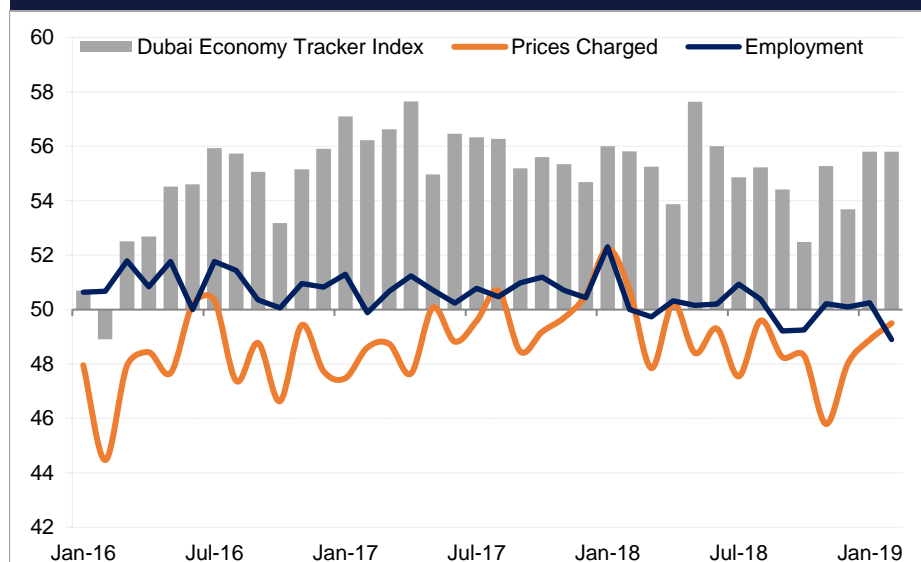
The headline Dubai Economy Tracker Index was unchanged at 55.8 in February. Stronger output growth was offset by slightly softer growth in new work and a record decline in employment.

Business activity/ output in Dubai's private sector rose in February, but other components of the survey were less positive. The rise in output and new work (the latter at the slower rate than in January) were on the back of continued price discounting. **Output prices declined for the tenth consecutive month in February**, with the deepest discounting evident in the wholesale & retail trade sector. Lower selling prices were recorded despite higher input cost inflation in February.

Furthermore, the rise in output and new work did not translate into more jobs in the private sector. Employment declined in February after three months of almost no change, as 5% of firms reported lower headcount last month, compared with 1.8% of firms reporting new hires. **The employment index fell to the lowest level since the series began in 2010.**

The PMI survey points to real GDP growth in Dubai's economy, but **this growth in the volume of goods & services produced appears to be coming at a cost of lower profitability for firms.** The lack of job growth in Dubai over the last couple of years has weighed on private consumption, and likely contributed to the increased pressure on firms to cut prices in order to boost their sales and new work, which in turn has eroded margins and reduced firms' willingness to hire more staff, perpetuating a negative cycle.

Employment index falls to a record low in February



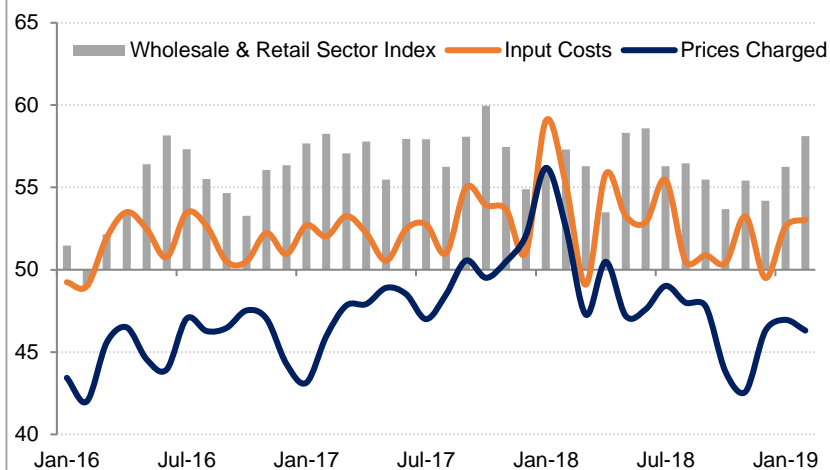
Source: IHS Markit, Emirates NBD Research

Wholesale & retail sector index at 8-month high

The wholesale & retail sector index rose to 58.1 in February, as both output and new orders rose at the fastest rate since June 2018. However, this growth was on the back of further price discounting, as the selling price index declined to 46.3 from 47.0 in January, even as input costs increased at a faster rate.

The employment index eased to 50.4, as 4% of firms reported lower staffing last month. Firms in the sector remain highly optimistic about their output in twelve months' time, with more than 80% of firms expecting their output to be higher in February 2020.

Wholesale & retail sector indicators



Source: IHS Markit, Emirates NBD Research

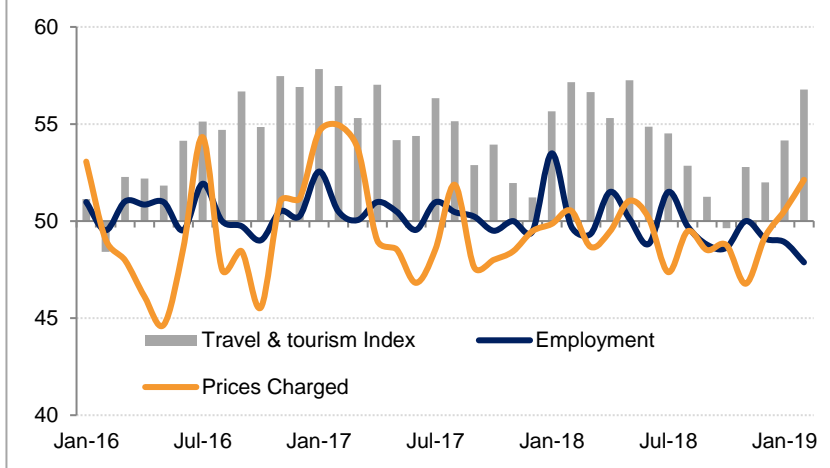
Travel & tourism sector index rose to 56.8 in February

The travel & tourism sector index signalled the fastest growth in the sector since May 2018, as both output and new work increased at a sharper rate in February. Encouragingly, prices charged increased modestly as well.

However, employment in the sector fell the most on record, with 6% of firms surveyed reporting lower headcount in February, compared with January. Businesses in the sector are likely focused on improving efficiency in a challenging market environment, which would have limited hiring even as demand improved last month.

Statistics from Dubai's Department of Tourism and Commerce Marketing show that overall international visitor numbers were unchanged in 2018, compared with the year before. However, the supply of hotel rooms in the emirate rose nearly 8% y/y in 2018, putting downward pressure on revenue per available room.

Travel & tourism sector indicators



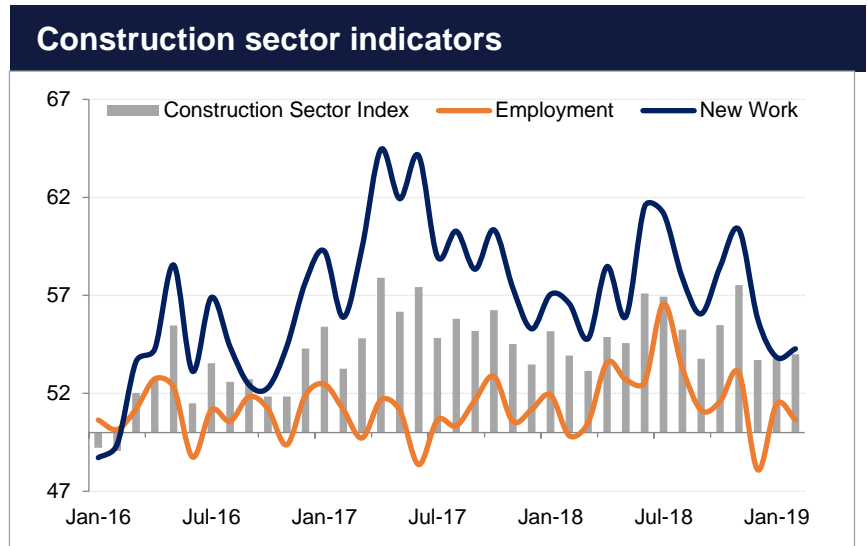
Source: IHS Markit, Emirates NBD Research

Construction sector growth has slowed since Q4 2018

The construction sector index was marginally higher at 54.0 in February (53.8 in January) but momentum in the sector has slowed since 2018. The average construction sector index in the first two months of this year was 53.9, well below the average of 55.6 for Q3 and Q4 2018.

Output continues to rise at a sharp pace, as expo related projects are scheduled for completion this year, but the rise in new work has slowed markedly since last year. Employment in the sector rose only marginally in February, with this index slipping to 50.7 from 51.4 in January. Stocks of purchases (inventories) declined for the third month in a row.

The future output index declined to 82.9 in February. While this still shows a high degree of optimism about construction sector output in twelve months' time, the degree of optimism is lower than in H2 2018.



Source: IHS Markit, Emirates NBD Research

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