



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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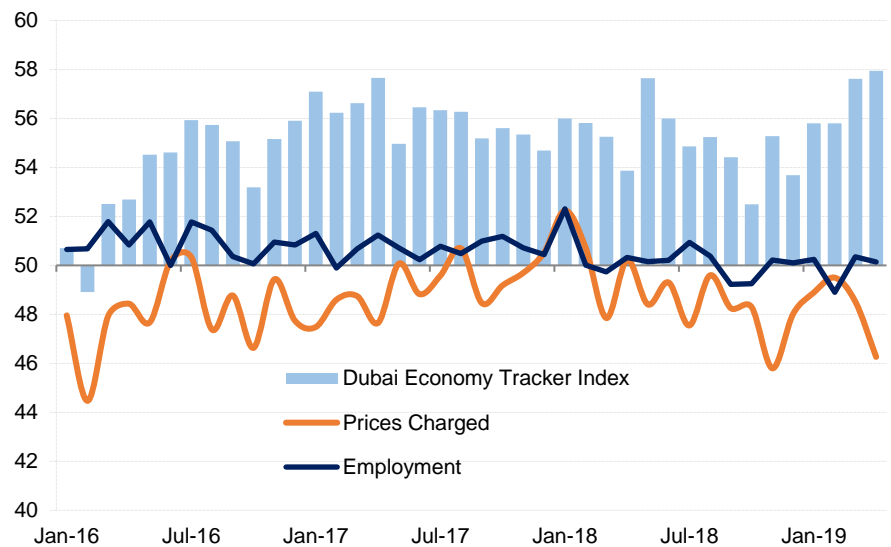
Dubai Economy Tracker: Steeper price discounting drives activity and new order growth in April

The headline Dubai Economy Tracker (DET) Index rose to 57.9 in April from 57.6 in March. While this is the highest reading since February 2015, it reflects sharp growth in new work and output – both reflecting the volume of activity in April. **Just as important, but not included in the headline index, is the extent of price discounting which was the fastest since November 2018.** Selling prices declined even as input costs were slightly higher, squeezing profit margins. On average, selling prices have declined every month for the last year.

Employment was broadly unchanged in April, despite the 4-year high in the headline DET index. The average employment index for the year to April is just below the neutral 50.0 level, signalling a marginal decline in jobs in Dubai's private sector this year, which reflects the challenging environment businesses are facing and their desire to keep costs down, despite rising volumes of output.

Firms in Dubai were the most optimistic they have ever been about their future output, with nearly 85% of firms surveyed expecting their output to be higher next April, and none anticipating a decline in output. This is not surprising given that 2020 is the Expo year, with both domestic demand and tourism expected to be firmer. The future output index is likely to remain elevated through the course of this year.

DET index rises to four-year high in April

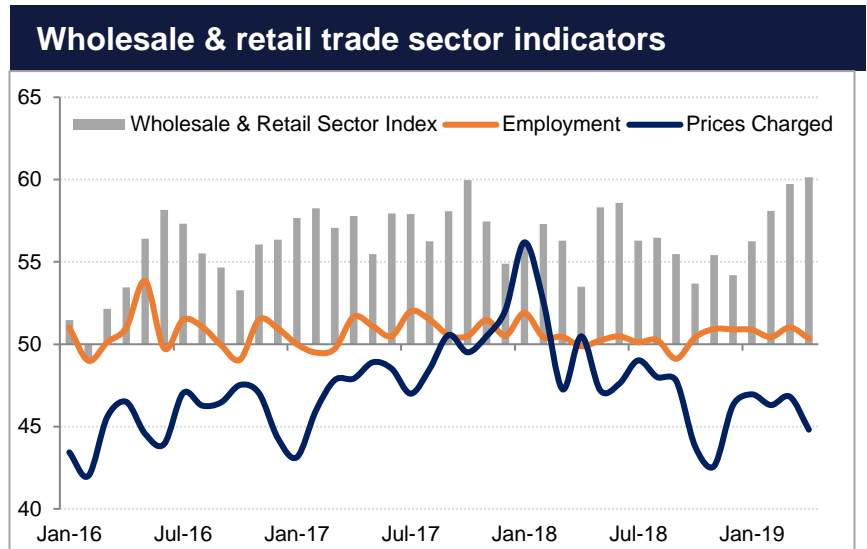


Source: IHS Markit, Emirates NBD Research

Wholesale and retail trade sector index rises in April

New work in the wholesale & retail sector grew at the fastest rate since at least March 2015 on a seasonally adjusted basis, with this index rising to 70.8. Half of all firms surveyed reported higher new work in April relative to March, and none reported a decline. Output also increased sharply in April but at a slower rate than in March.

However, the **growth in output and new work was driven by extensive price discounting in the sector**, with selling prices declining at the fastest rate in five months. Most firms in the sector saw no change in their input costs last month however, providing more room for promotions and incentives to support demand. Employment in the sector was only fractionally higher in April, despite strong reported rises in volumes of sales and new work.

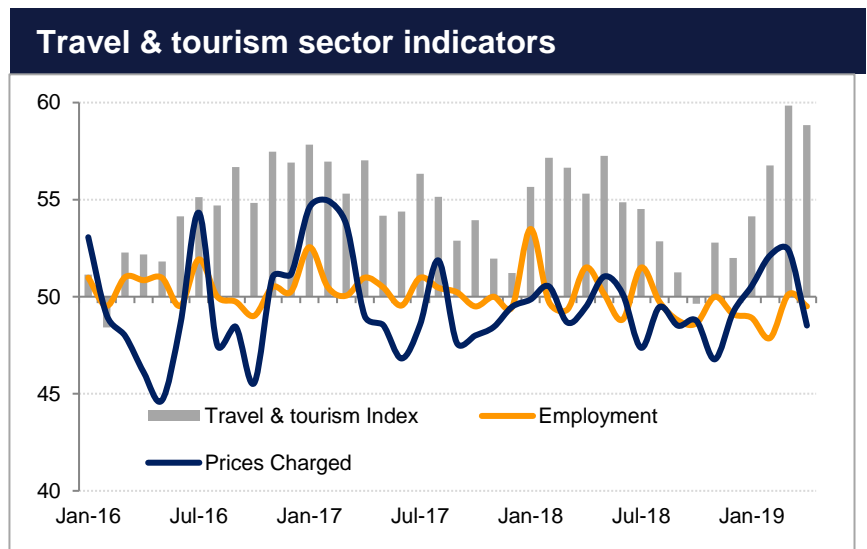


Source: IHS Markit, Emirates NBD Research

Travel & tourism sector growth moderates in April

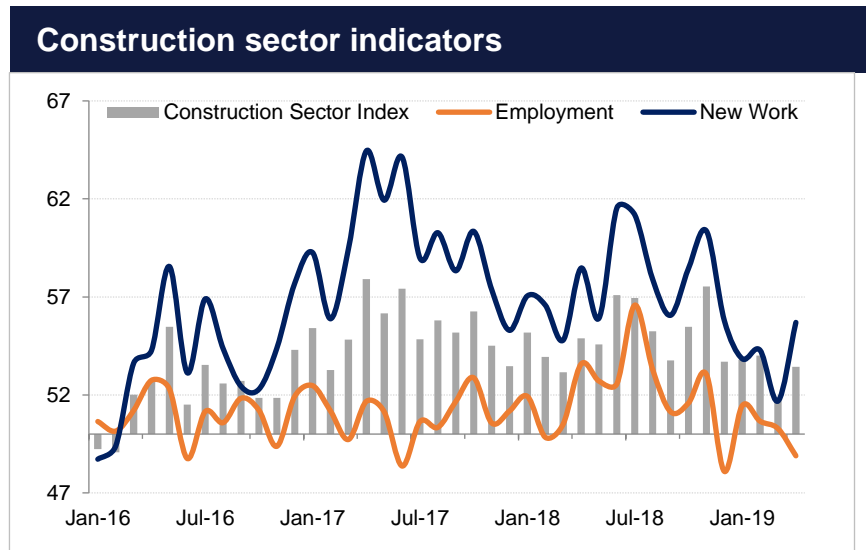
The travel & tourism sector index declined from the record high posted in March, but still signals strong expansion in the sector last month. Output and new order indices were above 66 in April, although slightly below the March readings.

However average selling prices declined in April; the first time this year that firms in the sector discounted their prices. Employment in the travel & tourism sector was also fractionally lower in April.



Source: IHS Markit, Emirates NBD Research

Construction sector new work recovers in April



Source: IHS Markit, Emirates NBD Research

The construction sector index rose to 53.4 in April from the March reading of 51.8 (which had been the lowest since November 2016). Both output and new work rose at a faster rate last month, but employment in the sector declined for the first time since December.

Firms in the construction sector reduced selling prices to the largest extent since February 2017, highlighting the competitive pressures in the sector.

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