



WHOLESALE BANKING

Dubai Dashboard

Khatija Haque

June 2019

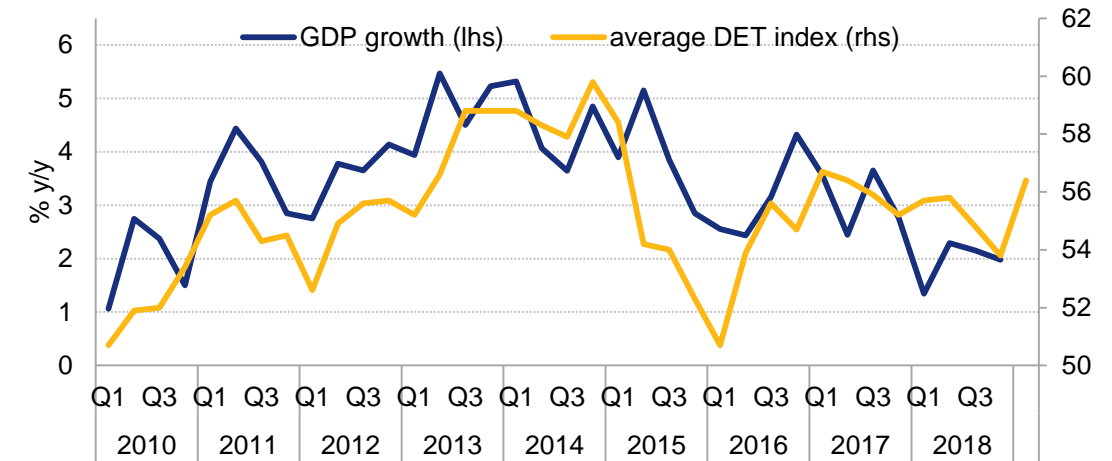


Survey data suggests growth is accelerating this year

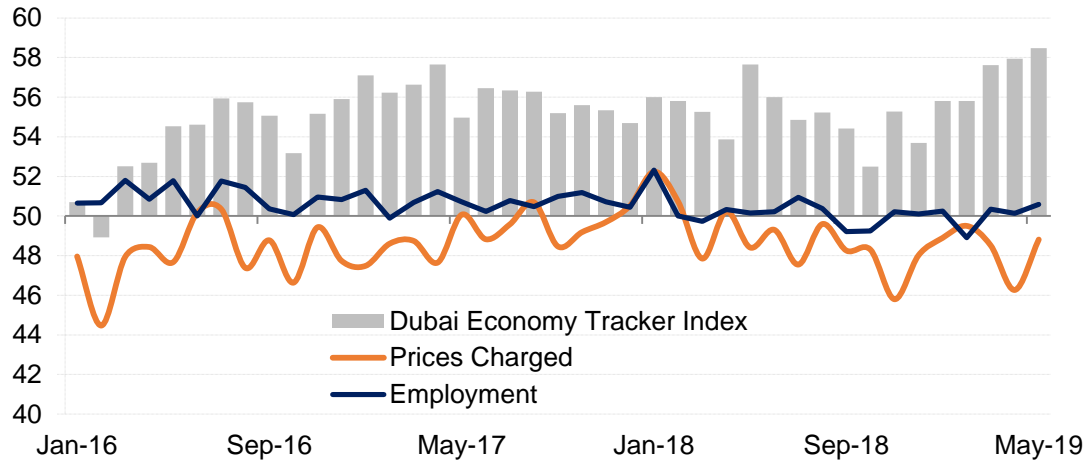


- GDP growth slowed to 1.9% in 2018 (prelim. data).
- Dubai Economy Tracker index has rebounded sharply year-to-date, reaching 58.5 in May, on stronger output and new order growth and sustained price discounting.
- Despite stronger activity growth, employment remains flat in the first five months of this year, and there has been almost no wage growth on average.
- We expect Dubai's GDP to grow 3.0% in 2019, rising to 3.7% in 2020, underpinned by construction and real estate & business services, hotels & restaurants and transport & logistics.
- Key risks around global trade volumes (trade wars escalating), slower global growth and soft consumer spending.

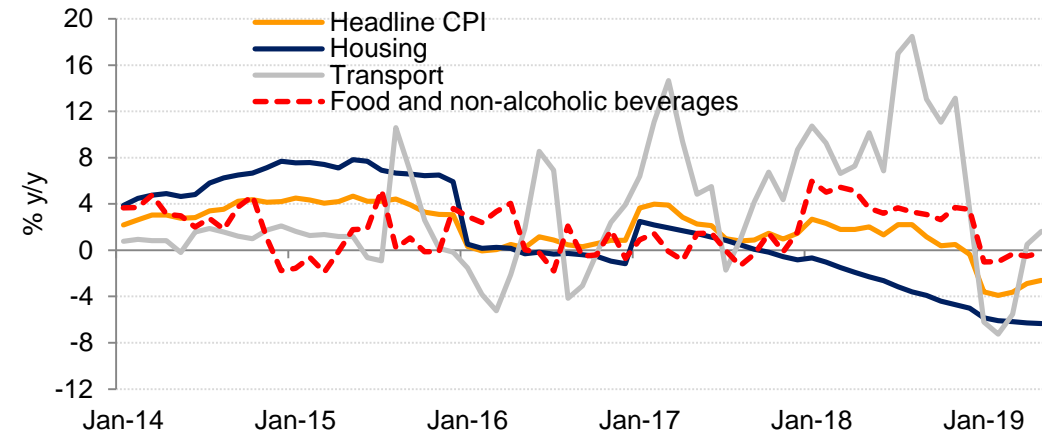
DET index points to faster growth in 2019



Increased activity not translating to job growth



Consumer inflation in negative territory

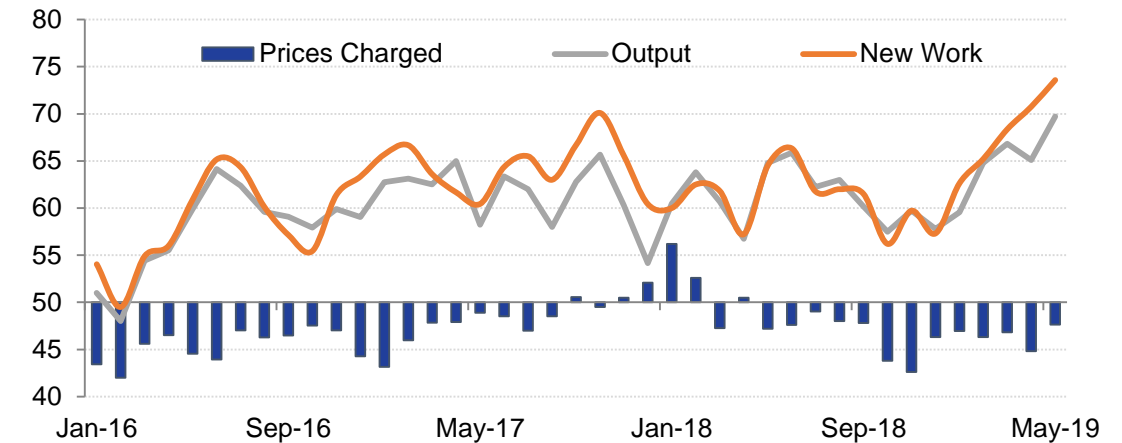


Wholesale & retail trade: Volume growth but lack of pricing power

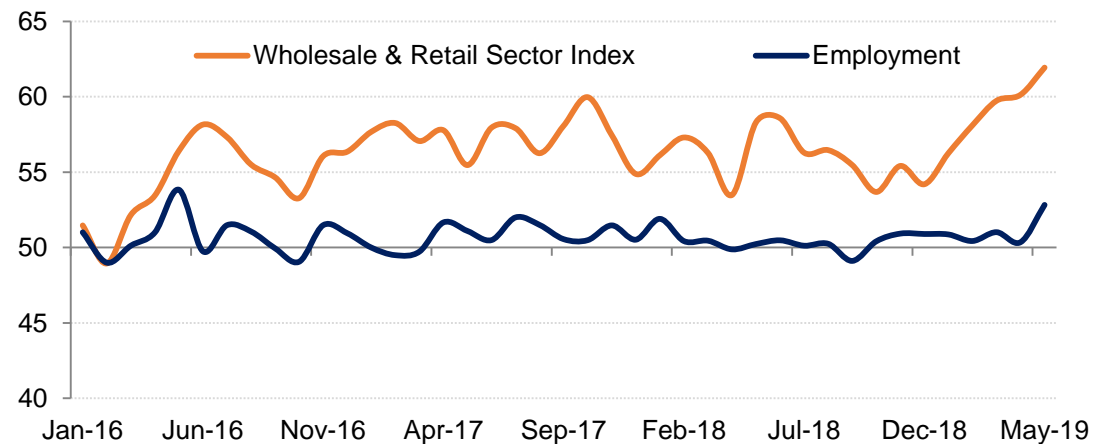


- Price discounting has underpinned increasing volumes of new work and output.
- Job growth accelerated in May and year-to-date has grown at the fastest rate since 2016.
- Credit card spending data from Network International shows that while total card spending growth has slowed modestly, foreign card spending has declined outright on an annual basis since December 2018

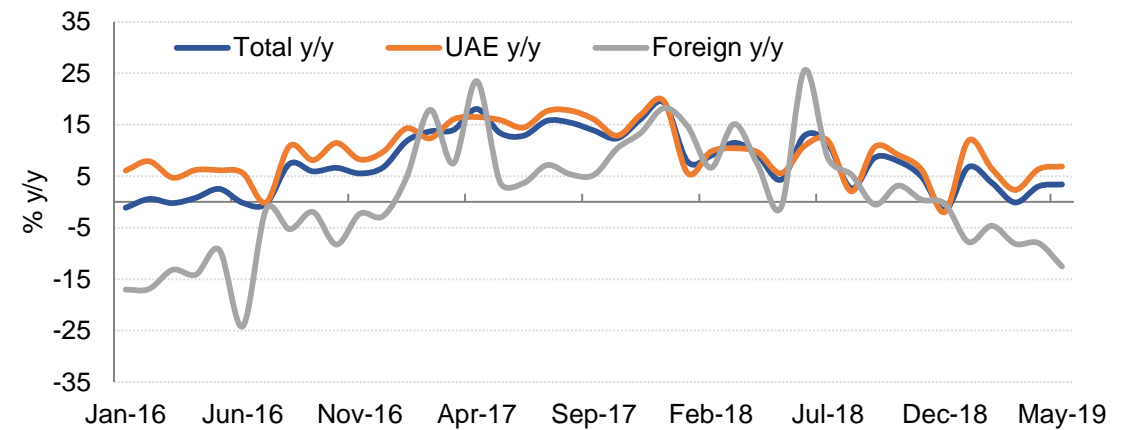
Output and new work have increased as prices decline



Job growth in the sector picked up in May



Spending on foreign credit cards has declined y/y

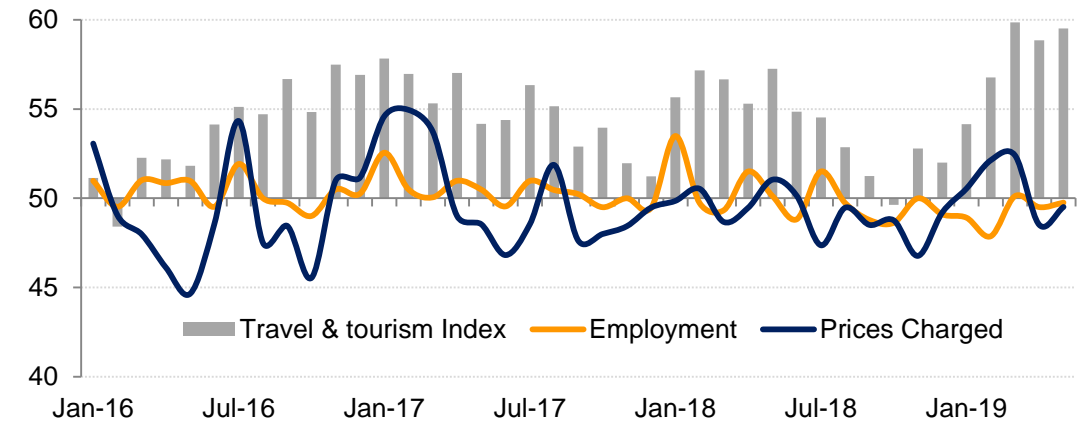


Travel & tourism: Visitor numbers recover somewhat in 2019

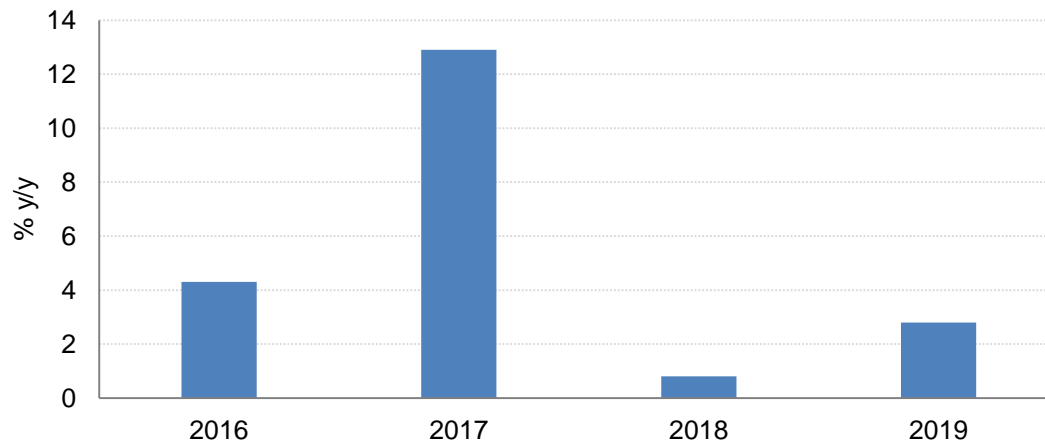


- Sector index reflects record pace of growth in output and new work in March-May 2019.
- Prices have been discounted over the last 18 months, except during high season.
- Employment in this labour-intensive sector has declined on average year-to-date, as firms seek to reduce costs.
- Visitor numbers have recovered year-to-date after a weak 2018, with strong growth from Eurozone, Oman, Philippines, Nigeria.
- Visitors from India continue to decline y/y, as do those from Russia, Iran, Kuwait, KSA. UK visitor numbers in Jan-Apr 2019 are similar to last year.

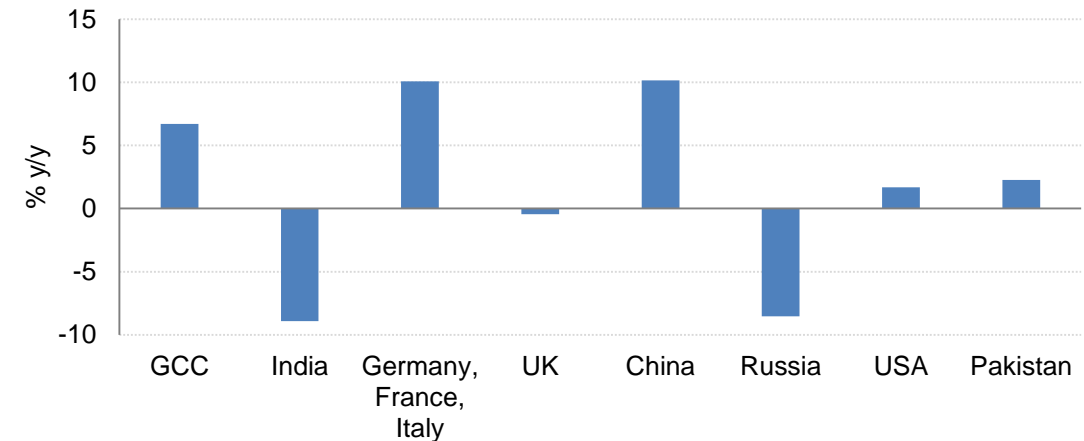
Output and new work at record highs in May



Growth in international visitors to Dubai (Jan-Apr)



Top 10 nationalities (Jan-Apr 2019)

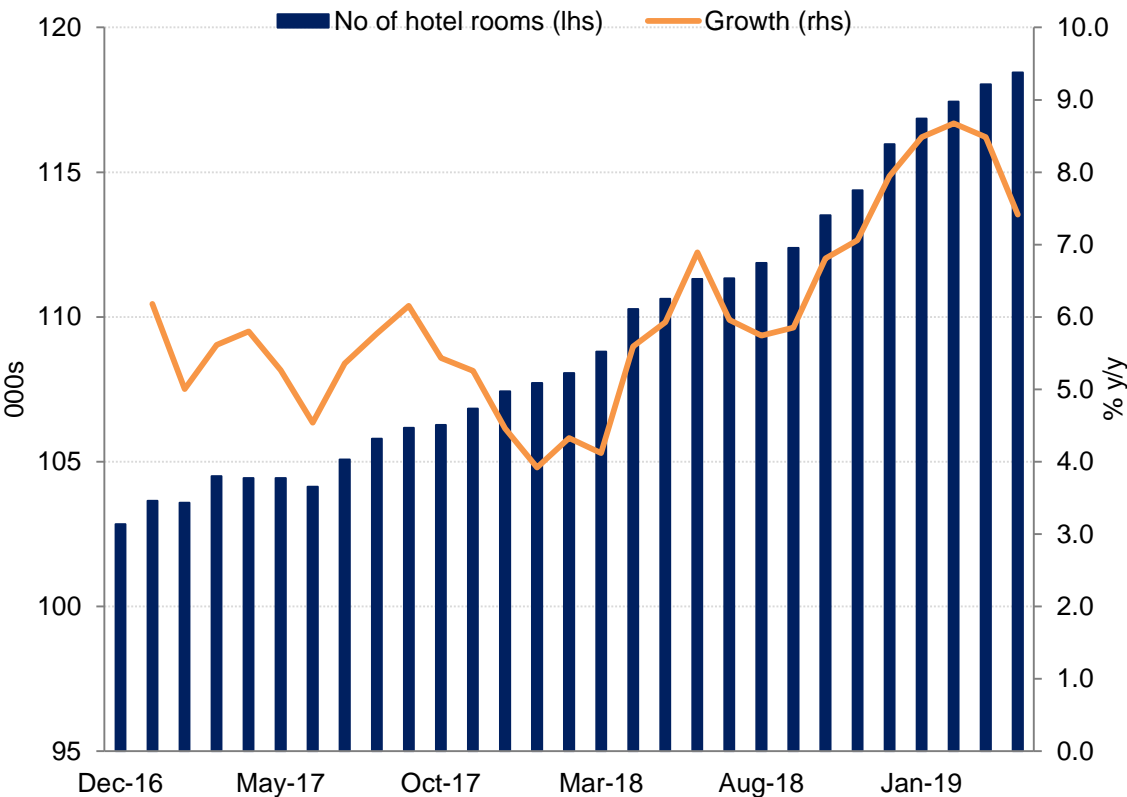


Source: IHS Markit, Haver Analytics, Emirates NBD Research

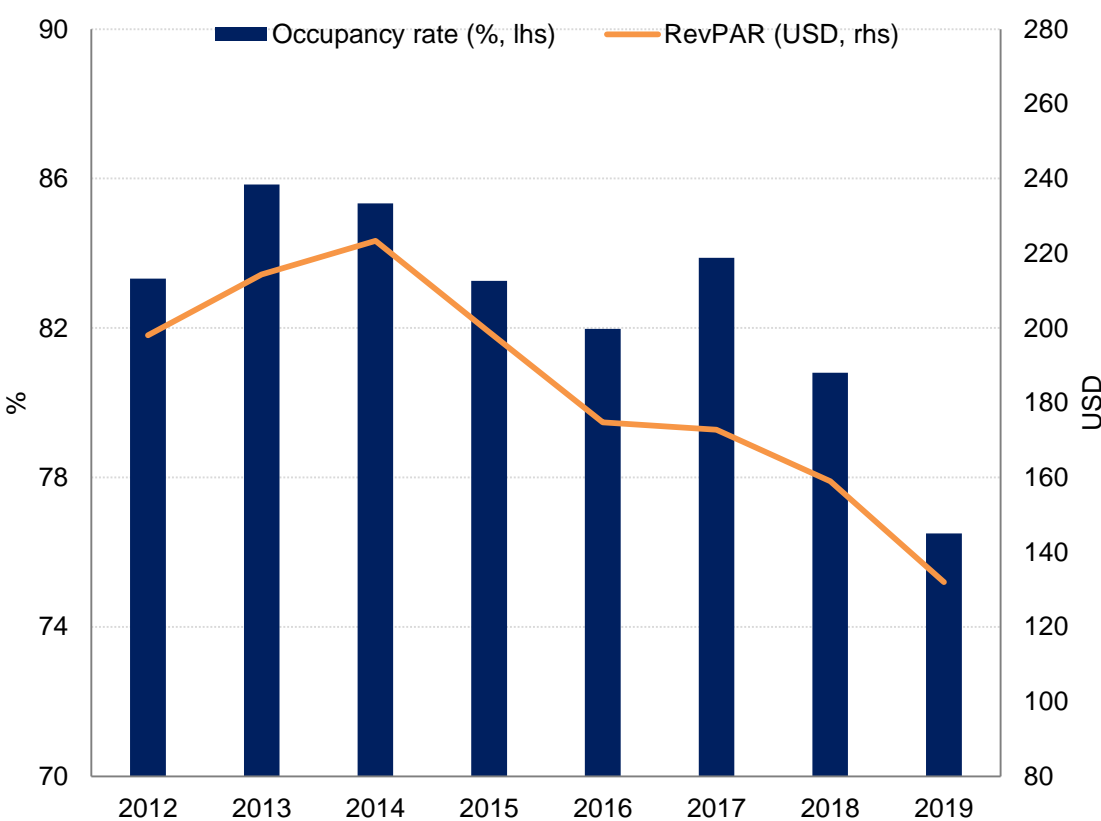
Travel & tourism: Oversupply weighing on hospitality too



Hotel room supply is likely to rise further before Expo 2020



Hotel occupancy and RevPAR (Jan-May)



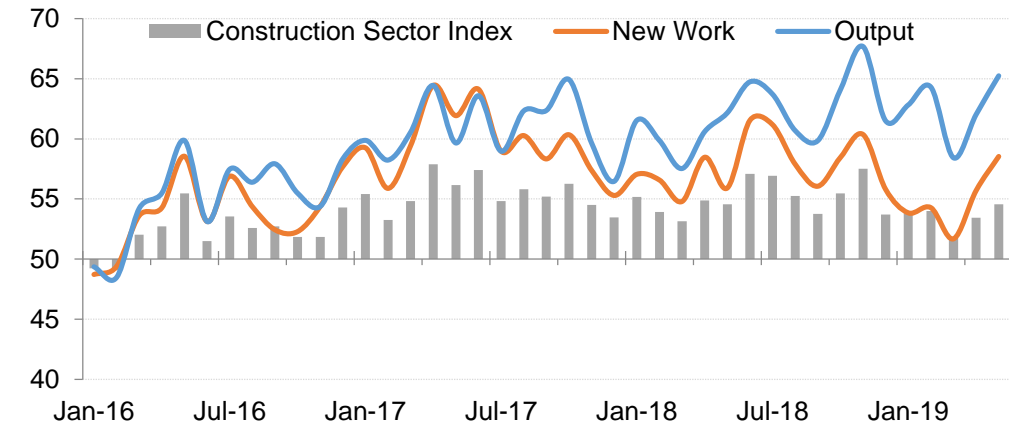
Source: DTCM, STR Global, Emirates NBD Research

Construction: Price discounting supports new work growth

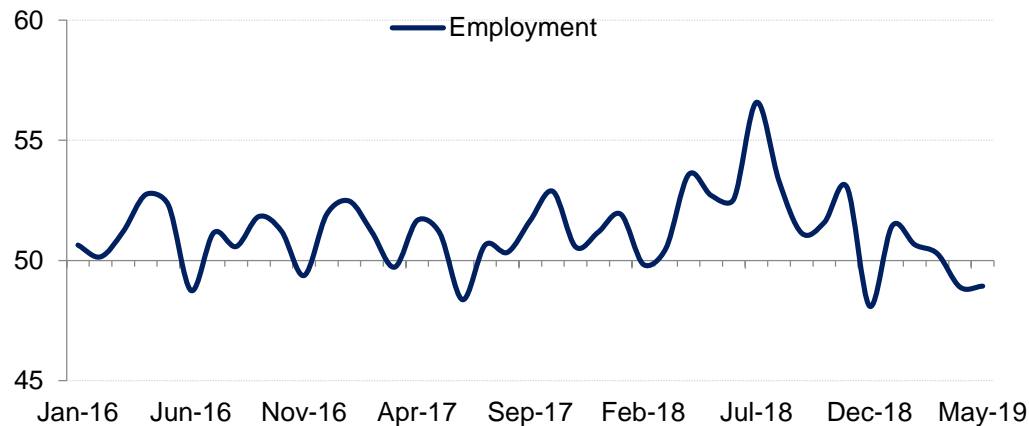


- After slowing in Q1 2019, new work in the construction sector has picked up slightly in May, but the rate of growth in the pipeline of work remains much slower than in 2017-18. This is understandable as most of the Expo 2020 related projects have been awarded.
- Output growth remains strong, as many projects are scheduled for completion before the expo kicks off next year. The future output index is also at a record high on this basis.
- Nevertheless there has been no job growth in this sector on average year-to-date. Employment index has been in contraction territory in April and May.

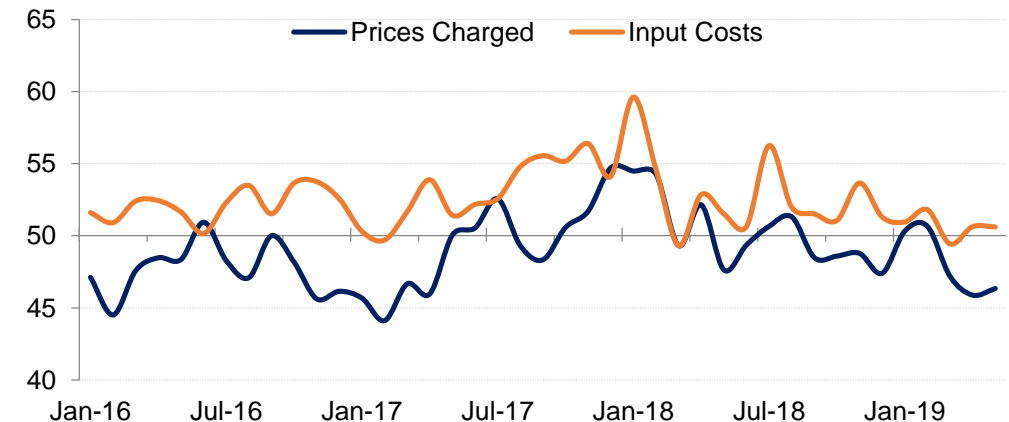
New work and output rise in Q2 2019



But employment has declined in recent months



Price discounting supports growth in new work

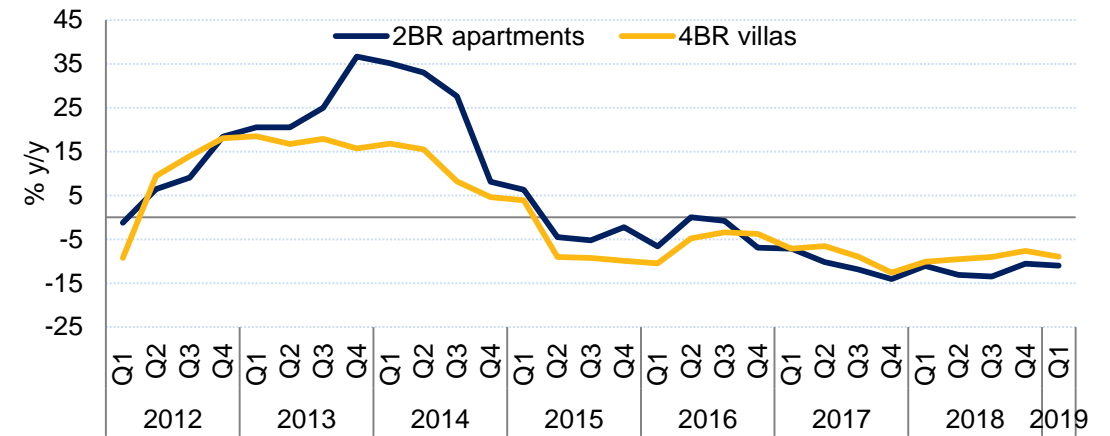


Real estate: Prices decline at a faster rate in May

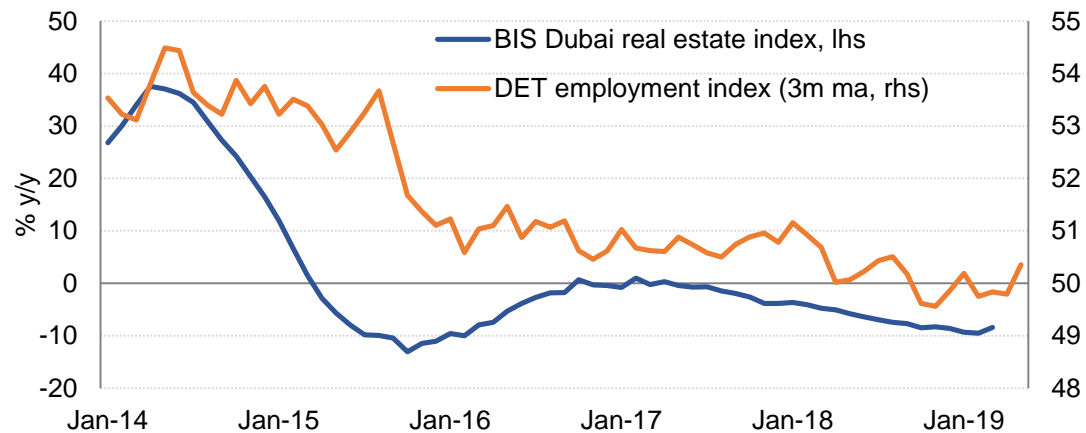


- Rents continued to decline in Q1 2019, with villa rents down -9% y/y and apartment rents down -11% y/y. Residential real estate prices declined at a faster rate in May, according to Property Monitor. Average prices declined -1.5% m/m and -14.5% y/y.
- Data from the Bank for International Settlements show a similar trend through Q1 2019 (latest available). There is a strong correlation between the employment component of the Dubai Economy Tracker survey and the annual change in residential real estate prices measured by BIS (a longer time series than Property Monitor provides). The softness in the job market is likely a contributor to the decline in home prices, although increasing supply has not helped either.

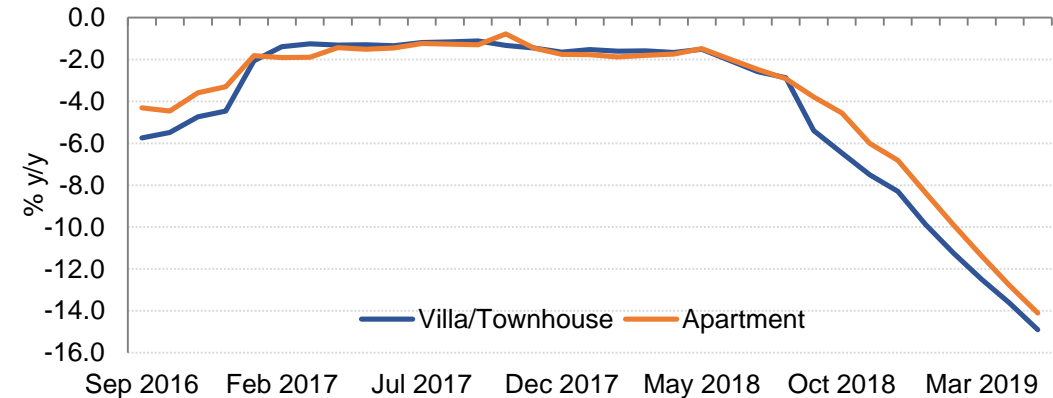
DET index points to faster growth in 2019



Weak employment contributes to soft real estate prices



Property Monitor data show sales prices declining at a faster rate



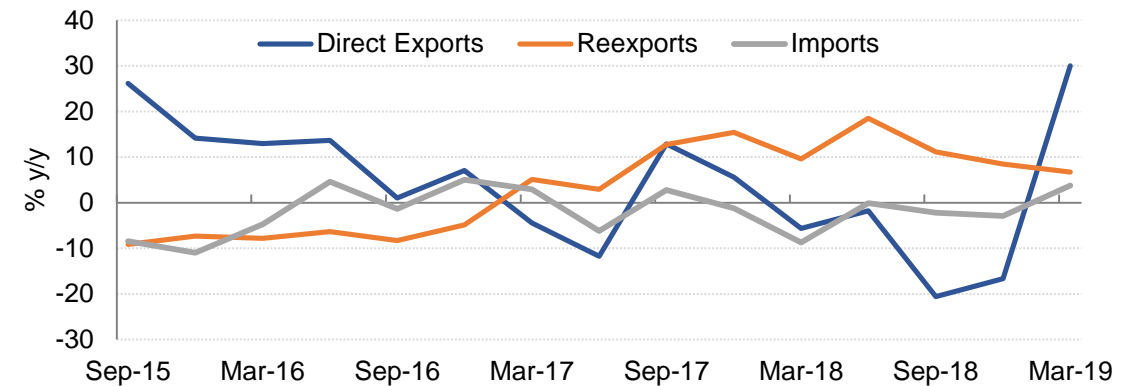
Source: BIS, Property Monitor, Asteco, Emirates NBD Research

Non-oil foreign trade: Imports reflect stronger domestic demand in Q1

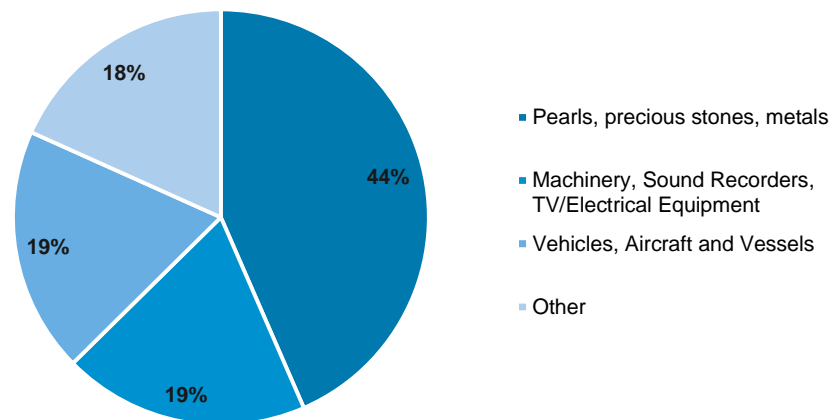


- Dubai's non-oil foreign trade data showed a sharp rise in the value of direct exports in Q1 2019. Direct exports surged 30% y/y in Q1 2019, after declining in 2018.
- Re-exports growth slowed however, rising 7% y/y in Q1 2019, the slowest growth rate since Q3 2017. The value of re-exports is more than double the value of direct exports from Dubai, highlighting the role of the emirate as a global trade hub.
- Imports to Dubai increased nearly 4% y/y in Q1 2019, after declining for the last 5 quarters. This provides further evidence that domestic demand has recovered since the start of this year, as the PMI data suggests.

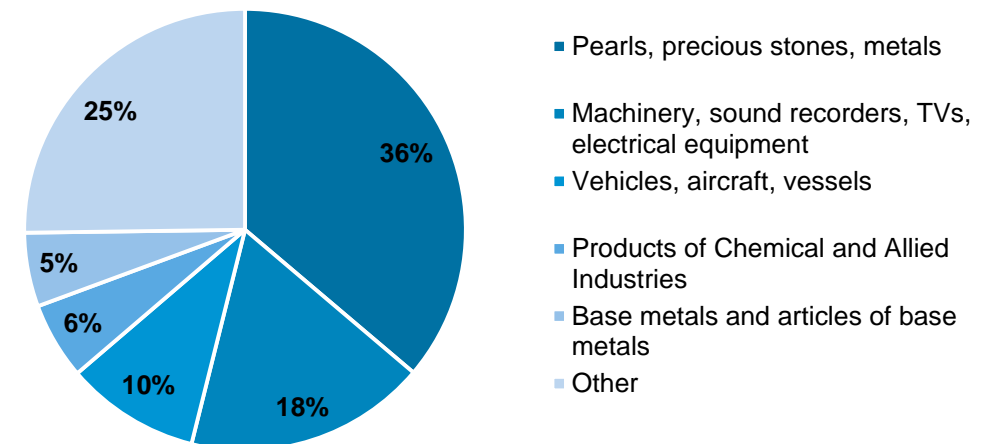
Imports and exports rebound in Q1 2019



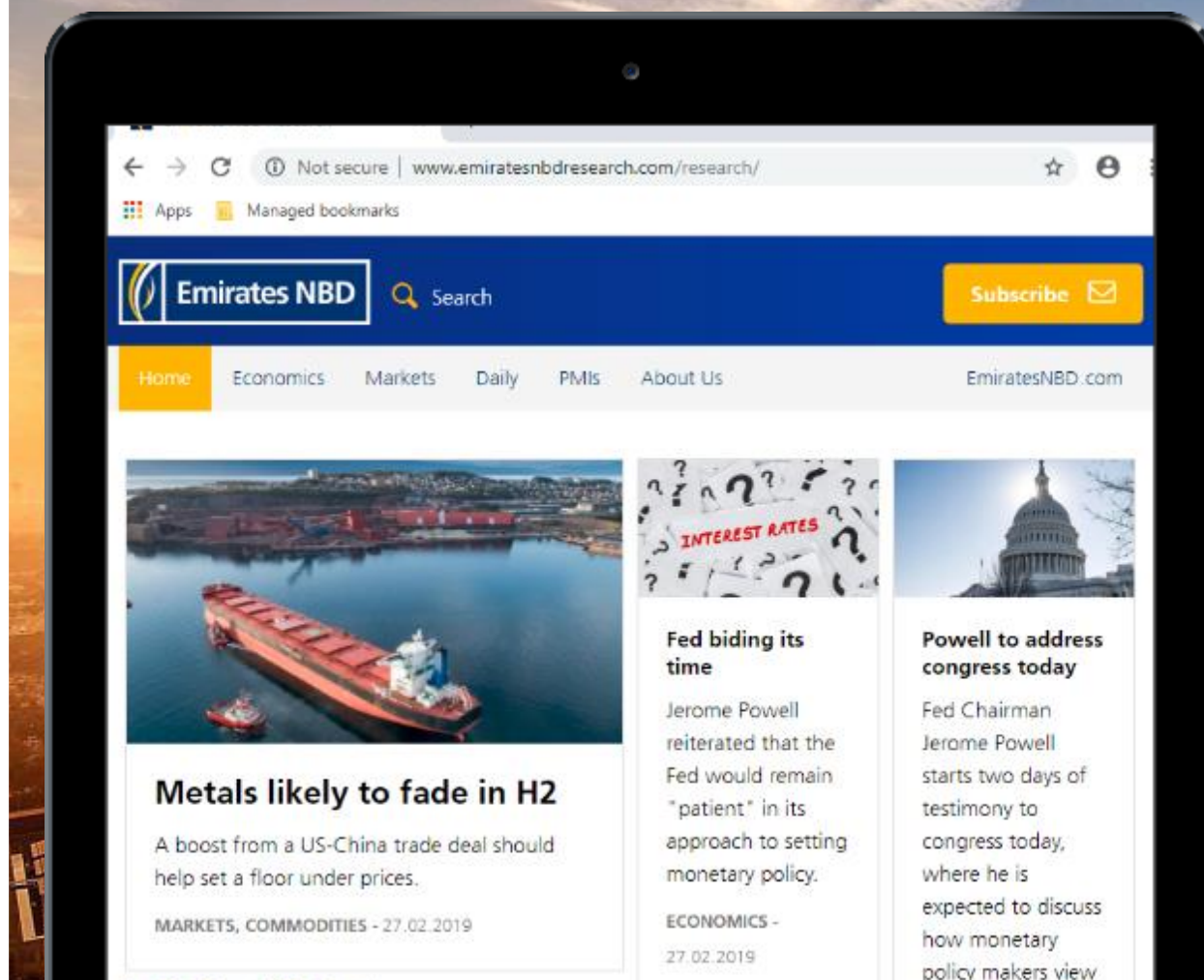
Composition of Re-exports (2018)



Composition of Imports (2018)



Source: Haver Analytics, Emirates NBD Research



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