



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Dubai: Tourism and hospitality update

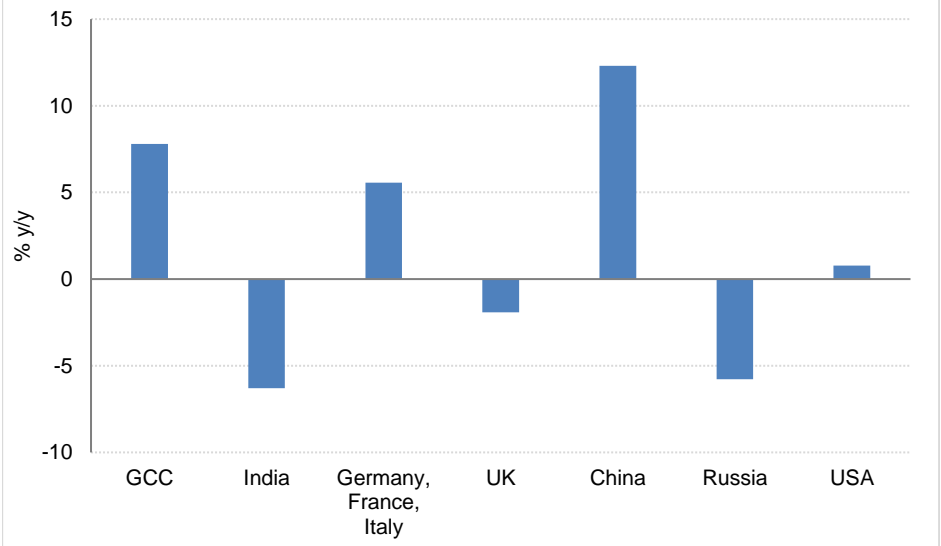
International visitors up 3.6% y/y in year-to-July.

The latest data from the Dubai Department of Tourism and Commerce Marketing (DTCM) shows the total number of international visitors rose 3.6% in the year-to-July 2019, compared with the same period in 2018. This is a faster growth rate than was recorded for the same period last year, but softer than the growth in visitor numbers in Jan-July 2017.

Visitors from other GCC countries rose nearly 8% y/y, driven by a sharp rise in visitors from Oman (up nearly 30% y/y). Visitor numbers from Saudi Arabia rose only marginally y/y while visitor numbers from Kuwait declined -7.5% y/y in the year-to-July. India, the largest market for international visitors to Dubai, saw a -6.3% y/y contraction in visitor numbers in the first seven months of this year, while visitors from Russia were down -5.8% y/y and those from the UK down -1.9% y/y.

However, there was growth in the number of international visitors from China (+12.3% y/y) and the large Eurozone countries (Germany, France, Italy +5.6% y/y). There was also strong growth in smaller markets (ranked 10-20), including the Philippines and Nigeria, both of which saw visitors to Dubai rise by nearly 30% y/y in the year-to-July. Kazakhstan made the top 20 list in the July data, with visitors to Dubai from that country up 27.3% y/y.

Cumulative international visitor numbers January through July 2019 by source country/ region



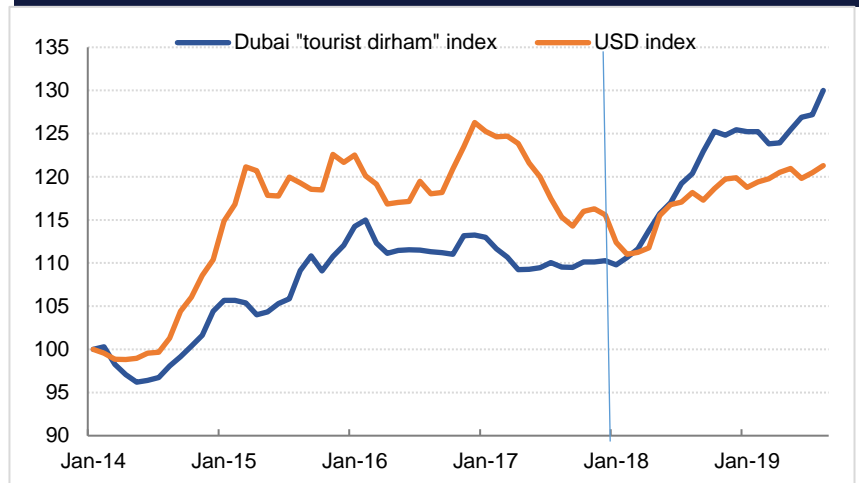
Source: DTCM, Emirates NBD Research

Currency appreciation erodes competitiveness

More than half of Dubai's international visitors come from emerging markets, and EM currencies have continued to weaken against the USD this year, making Dubai a relatively more expensive destination for visitors from emerging markets. Indeed, our "tourist dirham index", which is a basket of currencies weighted by the share of international visitors to Dubai, has appreciated further in August, suggesting that the tourism sector in the UAE has likely remained under pressure through the summer.

Khatija Haque
Head of MENA Research
+971 4 230 7803
KhatijaH@emiratesnbd.com

Dubai's "tourist dirham" appreciates further in 2019

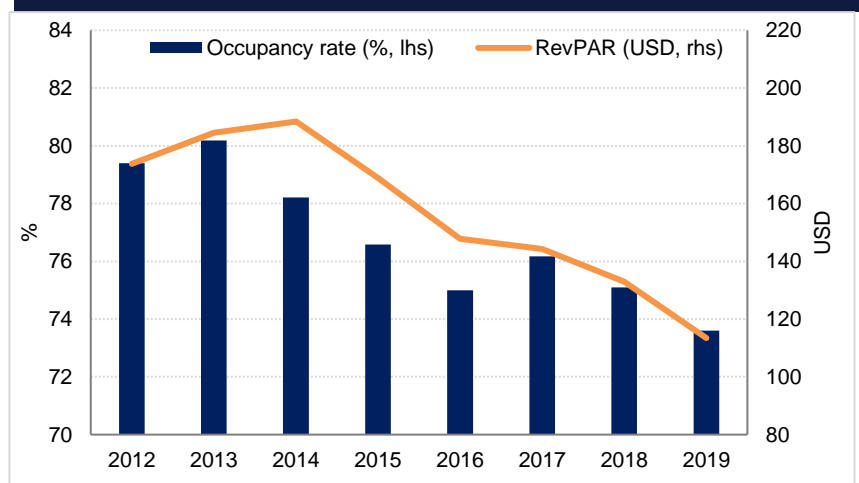


Source: Bloomberg, Emirates NBD Research

One way for firms in Dubai's tourism industry to offset the impact of a stronger currency is by reducing their selling prices. This trend of price discounting has been evident in a number of sectors, including hospitality and retail.

Data from STR Global shows that **revenue per available room (RevPAR) in Dubai in the year-to-July declined by -14.7% y/y**. In July 2019, Dubai's RevPAR stood at USD 65 per room according to STR Global, while the average RevPAR year-to-July was USD 133, the lowest since at least 2012. The increase in the supply of hotel rooms has been a key driver of lower hotel room prices, but the relatively modest growth in international visitor numbers over the last two years has not helped. **Average hotel occupancy in Dubai in the year-to-July 2019 fell to 73.6%** from 75.1% in the same period last year, and the lowest occupancy rate for this period since at least 2012.

Dubai Hotel Occupancy and RevPAR (Jan-July)



Source: STR Global, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com