



بنك الإمارات دبي الوطني  
Emirates NBD

Economics  
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## UAE: Card spending up 8.6% in 2016

Card spending in the UAE was 8.6% higher in 2016 compared with the previous year, according to data compiled by Network International. Network International covers about 60% of the UAE market for e-commerce and point of sale (POS) transactions.

Most of the growth in spending in 2016 was on cards issued by UAE banks (mainly residents), which rose 12.1% y/y and accounted for 77.8% of total POS transactions. However, the growth in residents' spending was slightly slower than the 12.5% y/y growth recorded in 2015. Foreign spending (i.e. on cards issued by non-UAE banks) declined -1.9% y/y for the same period, suggesting that USD strength is having an impact on visitors' spending.

Spending on US-issued cards accounted for 22.0% of all foreign spending in the UAE in 2016, and was up just 0.2% y/y. Saudis are the second biggest foreign spenders in the UAE, accounting for 13.9% of total non-UAE POS transactions. Growth in spending on Saudi-issued cards was up 2.5% y/y in 2016. The British are a close third, accounting for 11.3% of foreign sales in 2016 with growth in spending up 2.6% y/y, despite the relative weakness of GBP against USD.

### Top 10 foreign spenders in the UAE

|                | y/y increase (%) | 2016 Rank | 2015 Rank |
|----------------|------------------|-----------|-----------|
| United States  | 0.2              | 1         | 1         |
| Saudi Arabia   | 2.5              | 2         | 2         |
| United Kingdom | 2.6              | 3         | 3         |
| Qatar          | 4.8              | 4         | 4         |
| Kuwait         | -3.1             | 5         | 6         |
| China          | -13.4            | 6         | 5         |
| Russia         | -5.8             | 7         | 7         |
| Germany        | -2.3             | 8         | 8         |
| India          | 12.3             | 9         | 9         |
| Australia      | -0.3             | 10        | 10        |

Source: Network International, Emirates NBD Research

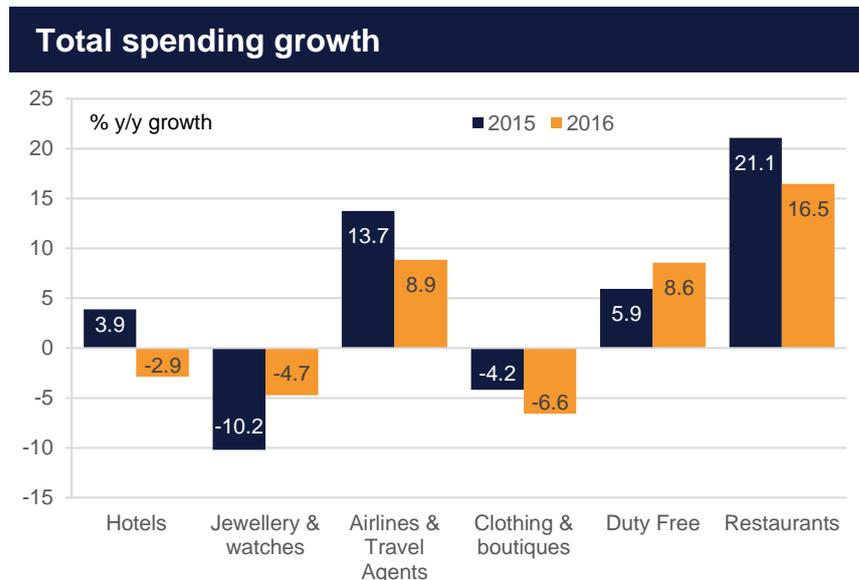
### Spending by sector

In terms of overall spending by sector, restaurants enjoyed double-digit spending growth for a second consecutive year in 2016, up by 16.5% y/y accounting for 12.4% of total card spending. UAE residents increased spending on restaurants nearly 16.7% y/y while foreign spending on restaurants was also up 15.9% y/y for the same period. Airlines & travel services and duty free sales also enjoyed robust growth of 8.9% and 8.6% y/y in 2016, respectively. The strong growth in spending in this sector highlights the increased importance of the UAE as a global air-hub, and the expansion of domestic airlines.

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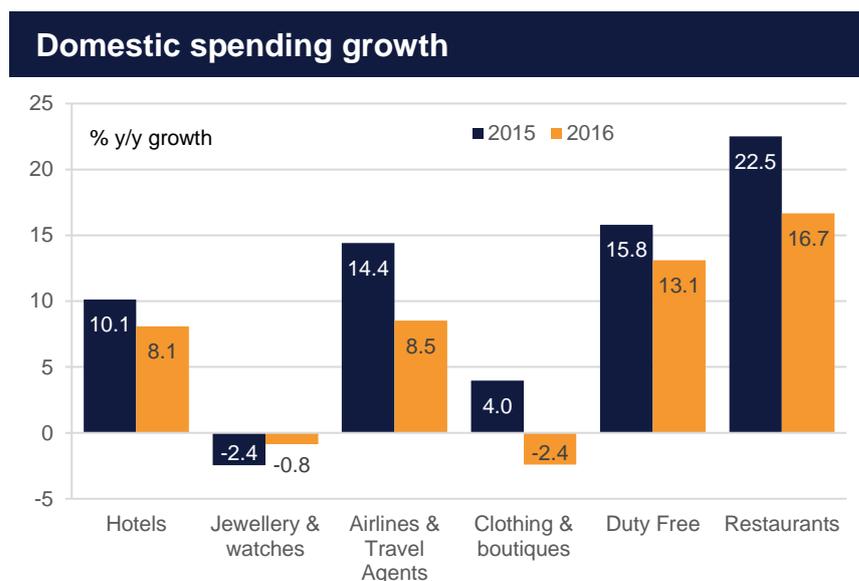
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**Jewellery & watch spending fell at a slower pace -4.7% y/y in 2016**, with foreign spending down -11.9% y/y and even domestic spending on this category declining slightly. Lower foreign spending on these high-value items was likely due to the strong USD making these items cheaper elsewhere, a theme which is likely to persist in 2017. Caution with respect to luxury goods may also reflect weaker consumer confidence and increased uncertainty about economic growth and job prospects among GCC residents.



Source: Network International, Emirates NBD Research

**Total spending on hotels declined -2.9% y/y overall with hotel spending on foreign cards down -9.7% y/y for 2016.** This suggests that domestic tourism (i.e. by residents) was a key support for the hotel sector for 2016. We also note that the lower card spending on hotels may be due to reduced rates rather than just lower volumes, as hotels have discounted room rates in order to keep occupancy levels high.

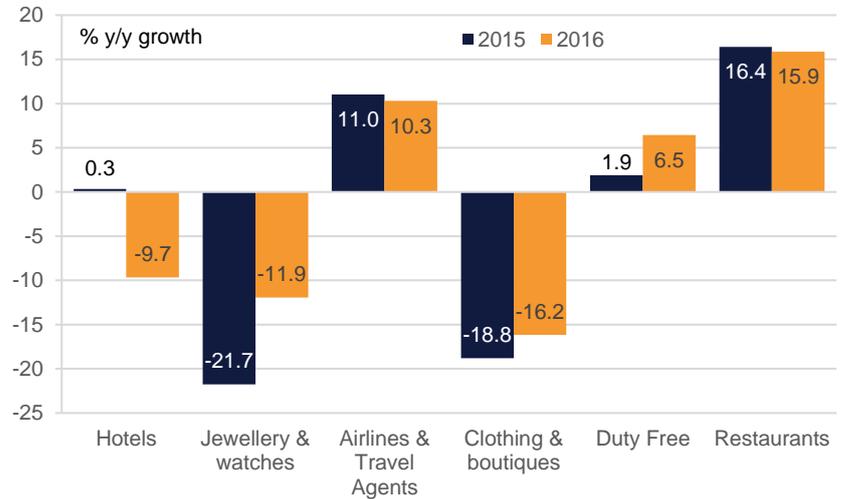


Source: Network International, Emirates NBD Research

The breakdown of foreign spending growth suggests that Dubai's attractiveness as a shopping destination has declined, with contraction in visitor spending on hotels, luxury goods and clothing & boutique spending. The robust rise in foreign

spending on airlines and travel agents highlights Dubai's importance as a global transport hub.

### Foreign spending on restaurants & travel services still robust



Source: Network International, Emirates NBD Research

### Something to keep in mind:

Credit card spending data is nominal, reflecting changes in prices of goods and services sold as well as volumes. The Dubai Economy Tracker (DET) survey showed that throughout 2016 firms in Dubai discounted selling prices in order to maintain volume growth, particularly in the retail sector, so the decline in the value of credit card spending partly reflects the lower prices of goods and services sold.

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