



بنك الإمارات دبي الوطني
Emirates NBD

Economics

28 November 2016

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UAE: Card spending up 7.9% in Jan-Oct 2016

Card spending in the UAE was 7.9% higher in Jan-Oct 2016 relative to the same period of 2015, 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 Jan-Oct 2016 was on cards issued by UAE banks (mainly residents), which rose 11.7% y/y and accounted for 78.1% of total POS transactions. However, the growth in residents' spending was slower than the 13.2% y/y growth recorded in Jan-Oct 2015. **Foreign spending (i.e. on cards issued by non-UAE banks) declined -3.6% y/y for the same period**, compared to -0.8% y/y in Jan-Oct 2015 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 Jan-Oct 2016, and was down -1.7% y/y. Saudis are the second biggest foreign spenders in the UAE, accounting for 14.2% of total non-UAE POS transactions. Growth in spending on Saudi-issued cards was up just 0.6% y/y in Jan-Oct 2016. The British are a close third, accounting for 11.4% of foreign sales in Jan-Oct 2016 with growth in spending up 5.7% y/y, despite the relative weakness of GBP against USD.

Top 10 foreign spenders in the UAE

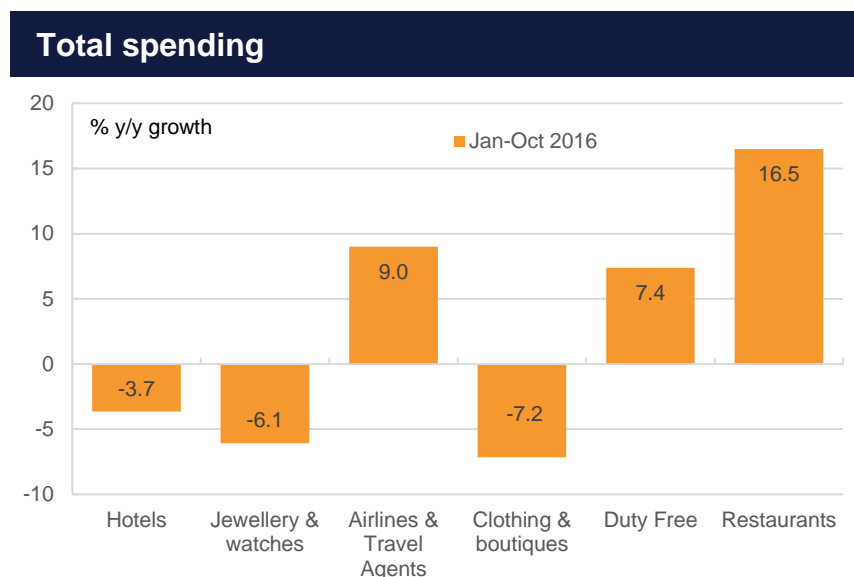
	y/y increase (%)	Jan-Oct 2016 Rank	Jan-Oct 2015 Rank
United States	-1.7	1	1
Saudi Arabia	0.6	2	2
United Kingdom	5.7	3	3
Qatar	3.8	4	4
Kuwait	-4.5	5	6
China	-15.7	6	5
Germany	-1.8	7	7
Russia	-14.7	8	8
India	6.4	9	9
Australia	-1.6	10	10

Source: Network International, Emirates NBD Research

Spending by sector

In terms of overall spending by sector, restaurants enjoyed double-digit spending growth in Jan-Oct 2016, up by 16.5% y/y accounting for 12.3% of total card spending. UAE residents increased spending on restaurants nearly 17.0% y/y while foreign spending on restaurants was also up 14.5% y/y for the same period. **Airlines & travel services also enjoyed robust growth of 9.0% y/y in Jan-Oct 2016.** 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.

Jewellery & watch spending fell -6.1% y/y in Jan-Oct 2016, with foreign spending down -15.1% y/y and even domestic spending on this category declining slightly. Lower foreign spend on these high-value items was likely due to the strong USD making these items cheaper elsewhere, although caution with respect to luxury goods may also reflect weaker consumer confidence against a background of low prices and increased uncertainty about economic growth and job prospects among GCC residents.



Source: Network International, Emirates NBD Research

Growth in total spending on hotels declined -3.7% y/y overall with hotel spending on foreign cards down -11.6% y/y for Jan-Oct 2016. This suggests that domestic tourism (i.e. by residents) was a key driver for the hotel sector for the first half of 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.

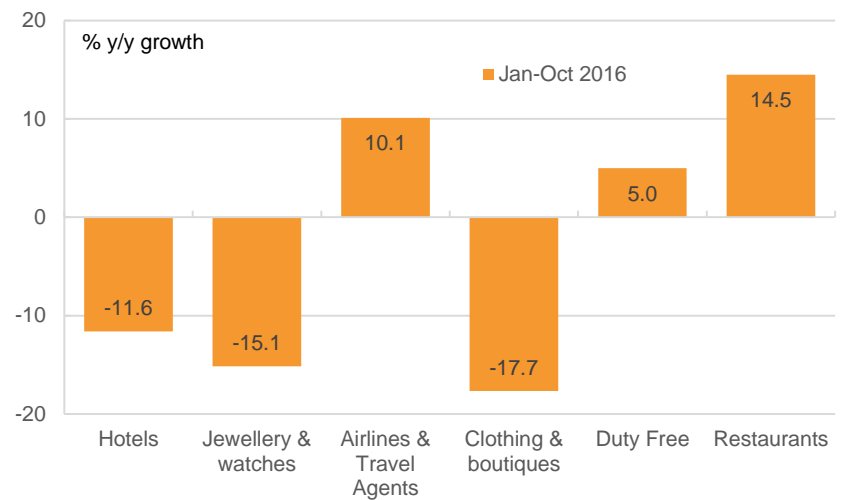


Source: Network International, Emirates NBD Research

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 as well as anemic duty free

sales. 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

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