

# Emirates NBD Research UAE Sector Chart Pack

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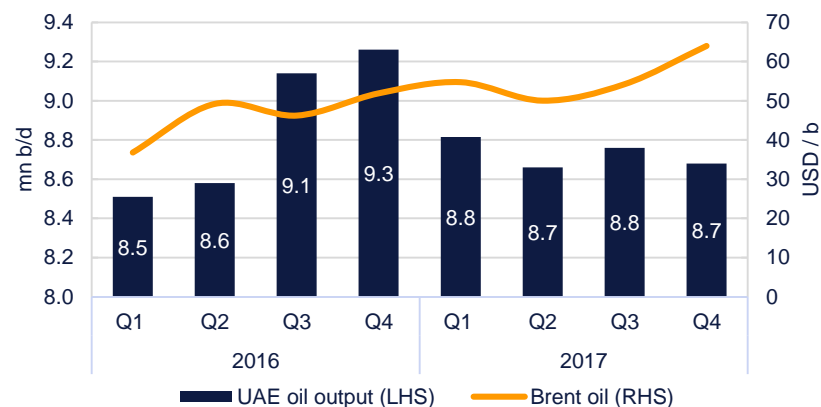


# UAE: Growth should rebound in 2018

## Highlights

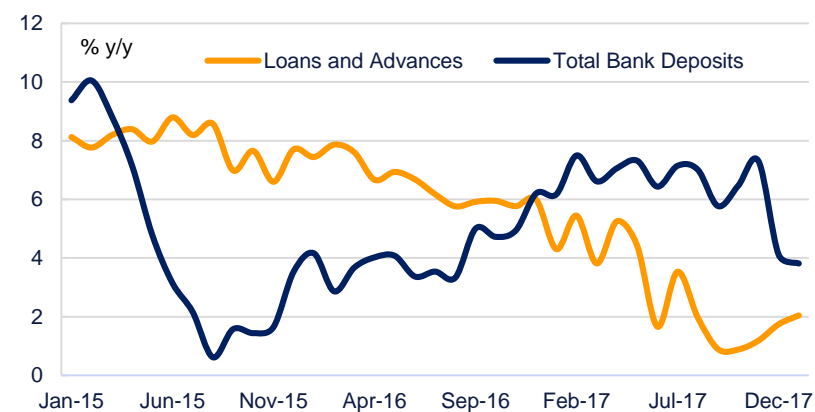
- We have revised our oil market expectations higher for 2018 but still see downside by the end of the year. We expect Brent futures to average around USD 60/b this year, peaking in Q1 and then sliding over the remainder of 2018. Volatility will return to oil prices in the near term as oil, and commodities, follow global financial markets in repricing risk.
- Non-oil sector growth slowed in February, with PMI declining to 55.1, the lowest since September 2017. Overall, we expect the non-oil sectors of the UAE to grow at a faster rate in 2018 as government increases spending on infrastructure projects and also on public sector wages and transfers.
- UAE bank deposits declined -0.4% m/m in January but were 3.8% higher y/y. Bank lending increased 0.5% m/m and 2.0% y/y in January, the fastest annual rate of growth since August 2017.

## Oil prices expected to decline from current levels



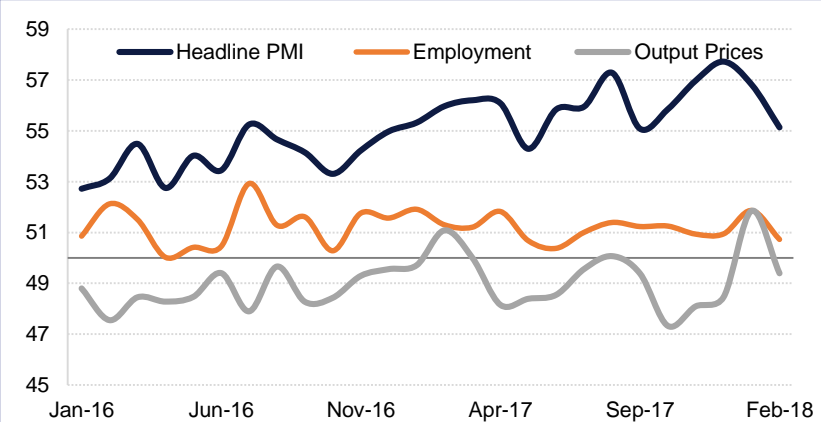
Source: Bloomberg, Emirates NBD Research

## UAE bank loan and deposit growth



Source : Haver Analytics, Emirates NBD Research

## UAE PMI: growth slows in February



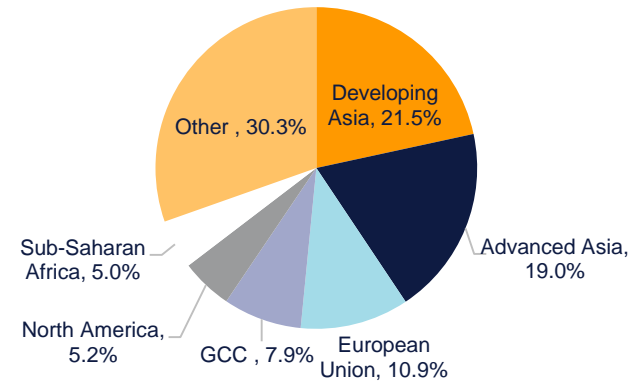
Source : Bloomberg, Emirates NBD Research

# UAE's trading partners, Q3 2017

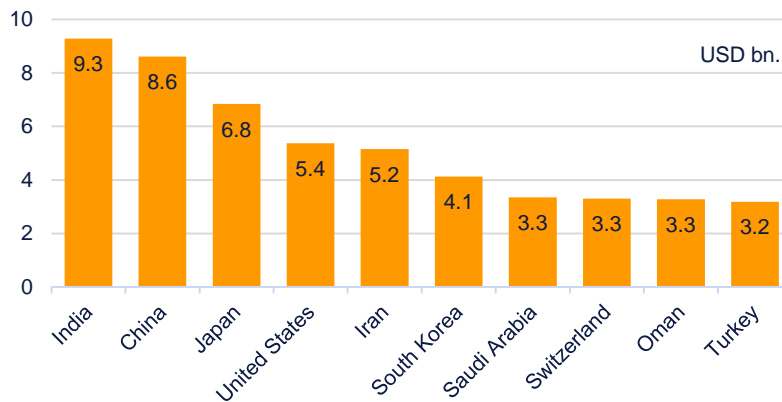
## Highlights

- In terms of trading partners, Asia (developing & advanced) topped the list with 40.5% of the total trade volume amounting to USD 46.8bn in Q3 2017.
- EU followed with USD 12.6bn (10.9% of total trade), GCC with USD 9.1bn (7.9%) and North America with USD 5.7bn (5.2%).
- In Q3 2017, the countries with the highest y/y trade growth are Turkey, UK and South Korea. Since this can be misleading as total trade volumes might be insignificant for some countries, we have included those with an already significant trade balance in USD billion in order to identify potential markets.

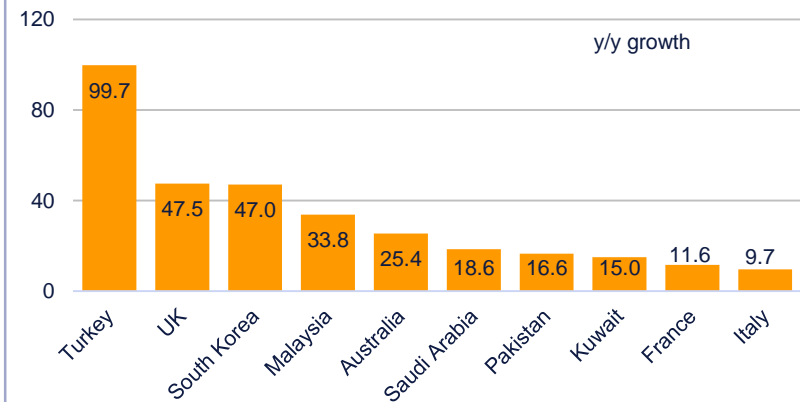
## UAE's trading partners by region, % of total trade, Q3 2017



## UAE's top 10 trading partners, Q3 2017



## Highest y/y growth rates, Q3 2017

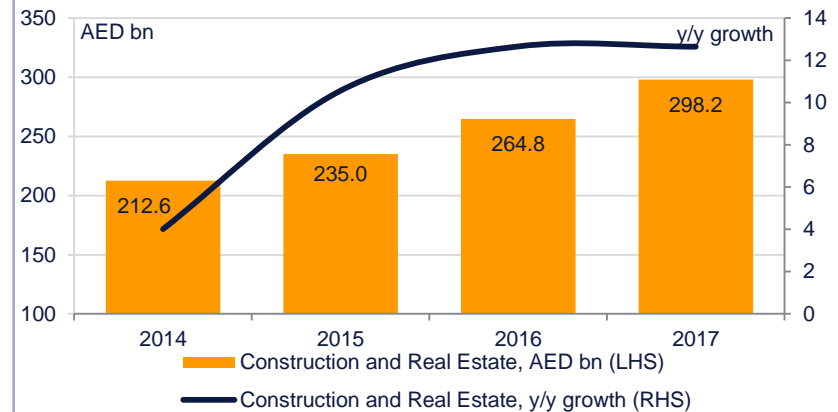


# UAE credit growth by economic activity, % of total AED 1.45 trillion in 2017

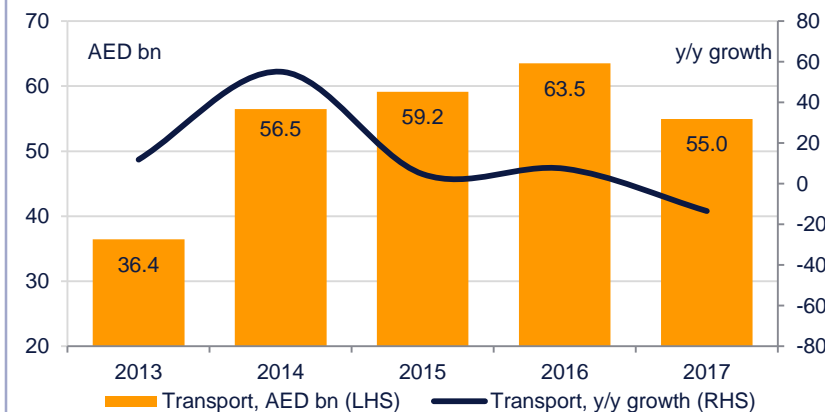
## Highlights

- Demand for business credit has increased moderately in Q4 2017, according to the latest credit sentiment survey by UAE Central Bank. By loan type, the modest increase in demand for loans is most evident in conventional loans and large firms.
- Demand for personal loans in aggregate was flat in Q4. However, survey respondents reported a moderate increase in demand for housing – other (includes refinancing, renovations), and housing – owner-occupier.
- In terms of outlook, demand for both personal and business lending are expected to increase in Q1 2018.

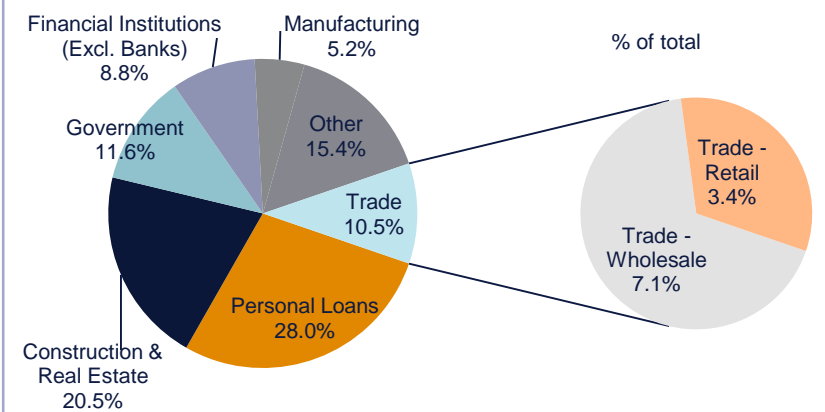
## Credit in construction & real estate



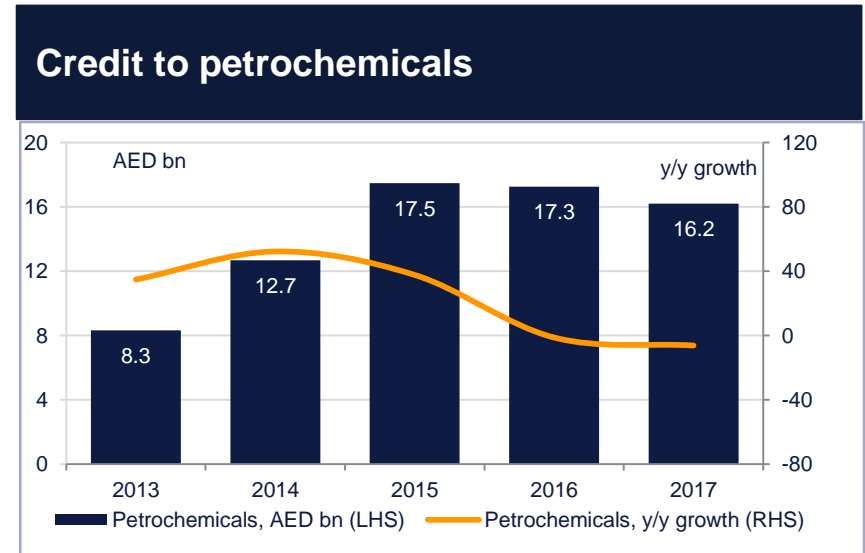
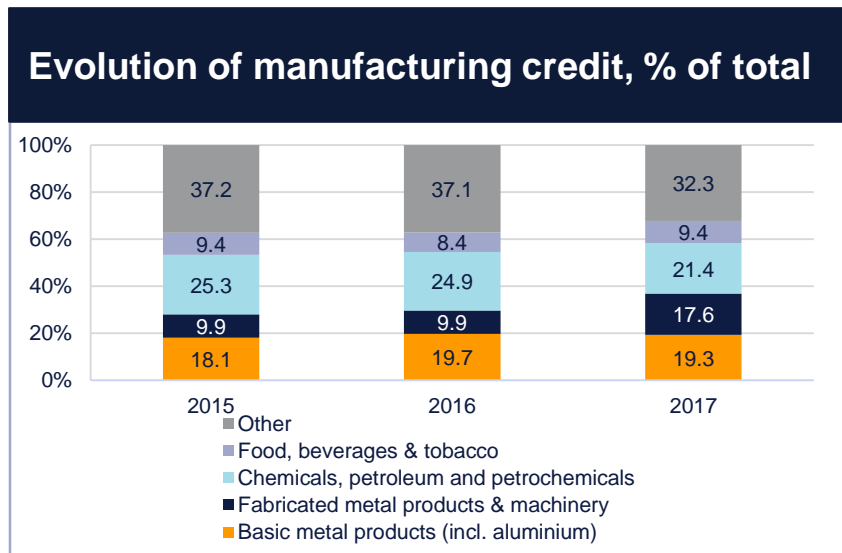
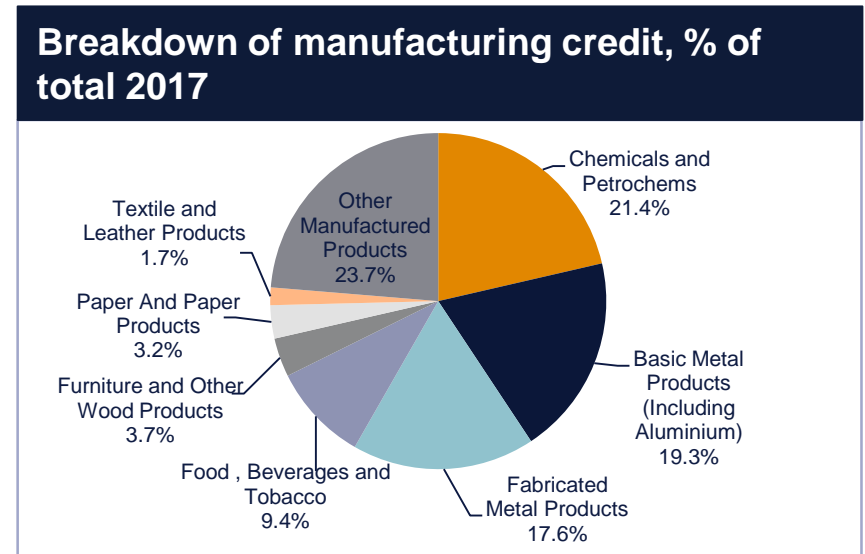
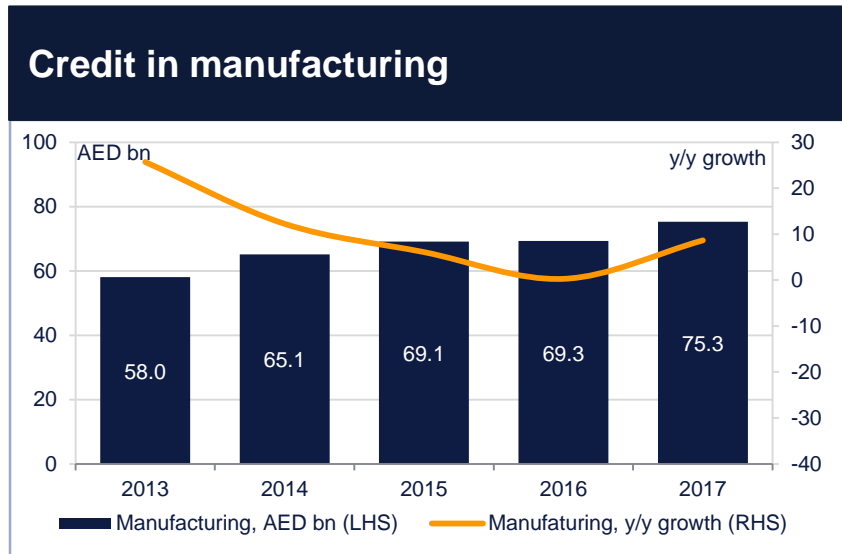
## Credit in transport & logistics



## Credit in wholesale & retail trade 2017



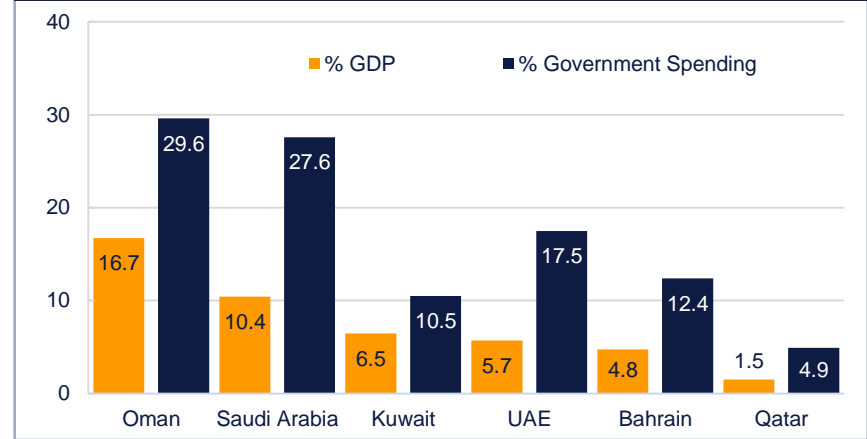
# UAE: Credit in Manufacturing 2017



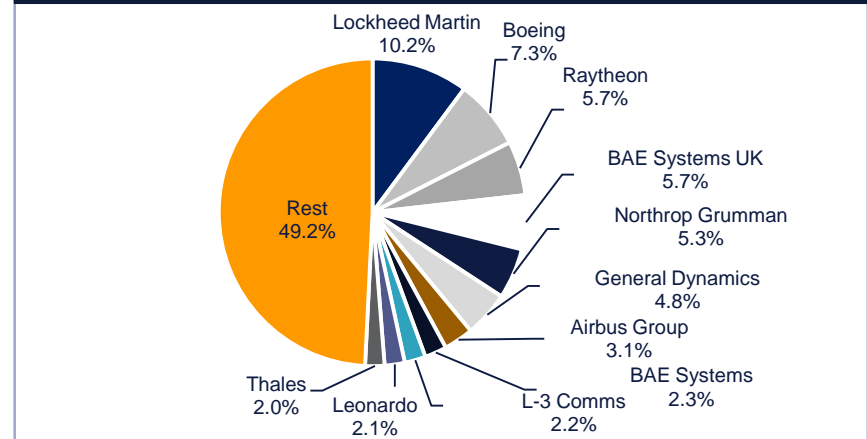
## Highlights

- Defense spending was resilient across the GCC for yet another year in 2016 with Saudi Arabia and the UAE reporting the largest defense budgets with USD 63.7bn and USD 22.8bn, respectively. We expect GCC military spending to have increased in 2017 as oil recovers and GCC military commitments continue.
- UAE's military expenditure reached a record high in 2016 with an active procurement pipeline being continued through 2017 with large orders for aircraft and weaponry. Oman's military budget is the highest in terms of GDP and government spending making up for a considerable part of its economic capacity with USD 9.1bn, followed by Kuwait (USD 6.6bn), Qatar (USD 1.9bn), and Bahrain (USD 1.4bn), according to latest data from Stockholm International Peace and Research Institute (SIPRI).
- The emerging GCC defense market in terms of domestic defense production over the next decade is mainly driven by Saudi Arabia's economic diversification plans. According to vision 2030, Saudi Arabia plans to localize at least 50% of its defense spending by 2030 (currently at 2%) by developing a number of defense related sectors such as industrial equipment, communication, and information technology.
- UAE's strategy of creating jobs for its nationals and increase domestic ownership through investment vehicles, creating many opportunities within the security sector, is the driver for the country's offset programs. Moreover, UAE's aspiration in building defense capabilities is taking shape through Abu Dhabi's Economic Vision 2030 and is strongly linked to investment in aerospace.

## GCC military expenditure, 2016



## Top global arms sales by company, % of total USD 402bn in 2016

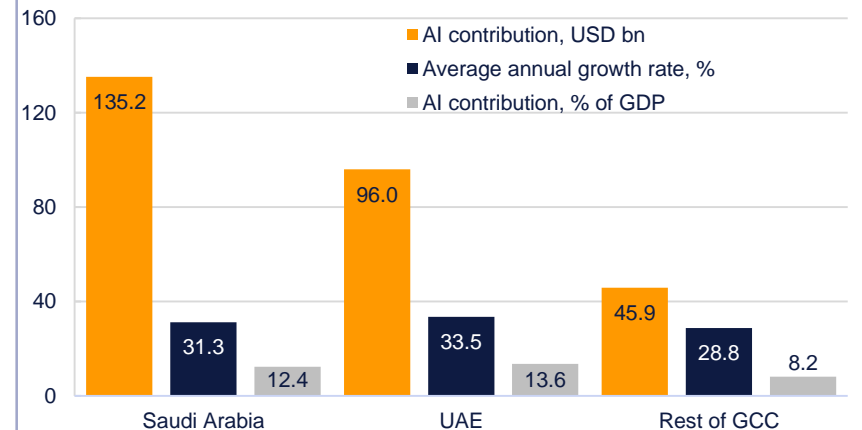


# The USD 277bn impact of Artificial Intelligence (AI) for the GCC by 2030

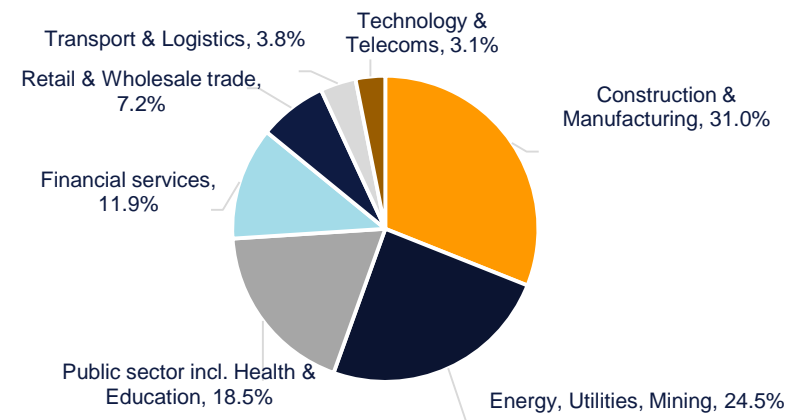
## Highlights

- With the impact of Artificial Intelligence (AI) being increasingly disruptive for governments and businesses globally, AI is expected to contribute up to USD 15.7 trillion to the global economy by 2030, according to PwC Middle East. GCC economies are already moving towards AI and advanced technologies with the economic impact of AI adoption being estimated at roughly 2% of the total, or USD 277bn.
- According to PwC, AI is expected to contribute USD 135bn or 12.4% of GDP in Saudi Arabia by 2030 followed by the UAE with USD 96bn (13.6% of GDP), and the rest of the GCC countries with USD 45.9bn (8.2% of GDP). The average annual growth rate of AI's contribution to the GCC is expected to range between 29-34% with the UAE recording the highest growth rate at 33.5% as well as the largest share of close to 14.0% of its GDP.
- The UAE launched its AI strategy in October last year aiming to boost government performance, adopt an integrated smart digital system and make the UAE the first in the field of AI investments in various sectors such as transport, health, space, renewable energy, water, education and environment. Within the UAE, Dubai is leading the way with a number of related strategies including the Smart Dubai strategy, the Dubai 3D Printing strategy and the Dubai Autonomous Transformation strategy.
- The biggest opportunity for AI in the GCC is in the construction and manufacturing sector where it is estimated that 31.0% of all AI investment in the region predicted for 2030, or USD 100bn, will be spent on developing AI solutions, according to PwC. This is followed by the energy, utilities and mining sector with USD 78bn (24.5%) and the public sector including education and healthcare with USD 56bn (18.5%).

## AI contribution to GCC by 2030



## AI contribution to GCC by industry by 2030, % of total USD 320bn

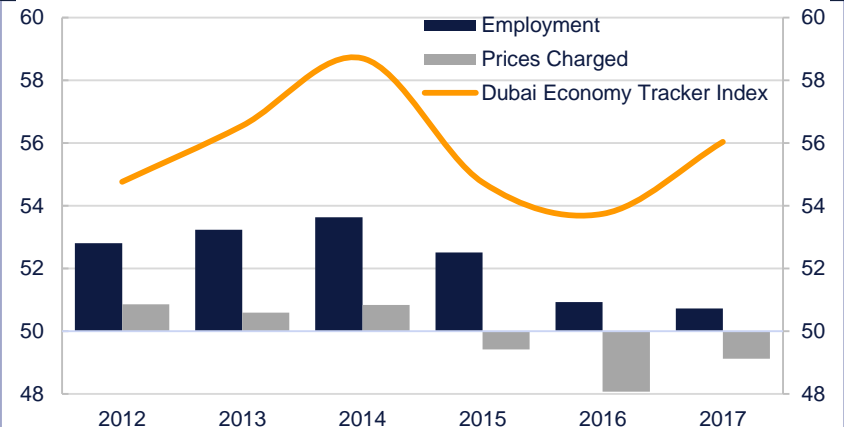


# Dubai Economy Tracker: strong February for travel & tourism sector

## Highlights

- The headline Dubai Economy Tracker Index (DET) eased slightly to 55.8 in February, but still indicated a strong expansion in the non-oil private sector last month. Despite this, employment levels were unchanged from January as firms continued to absorb rising input costs.
- Inventory accumulation also slowed further in February, as many firms had built up inventories in December, before VAT came into effect. Business optimism was slightly weaker in February but firms remain strongly optimistic overall.
- The sector surveys showed a sharp rebound in the tourism sector after a lackluster Q4 2017.

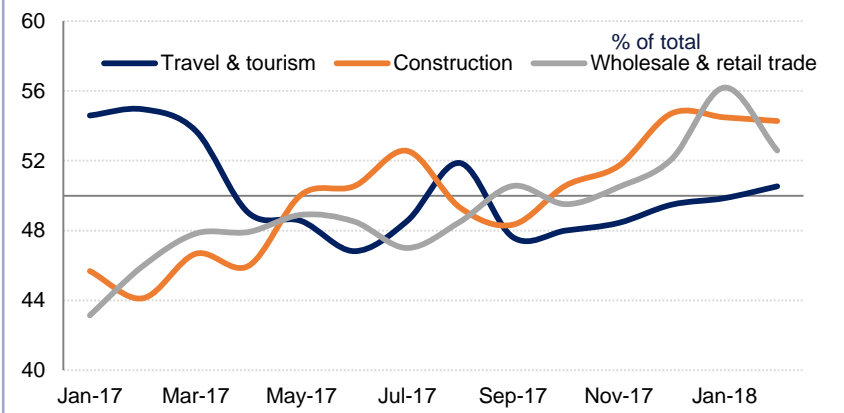
## Emirates NBD Dubai economy tracker



## ENBD Dubai economy tracker sector indices



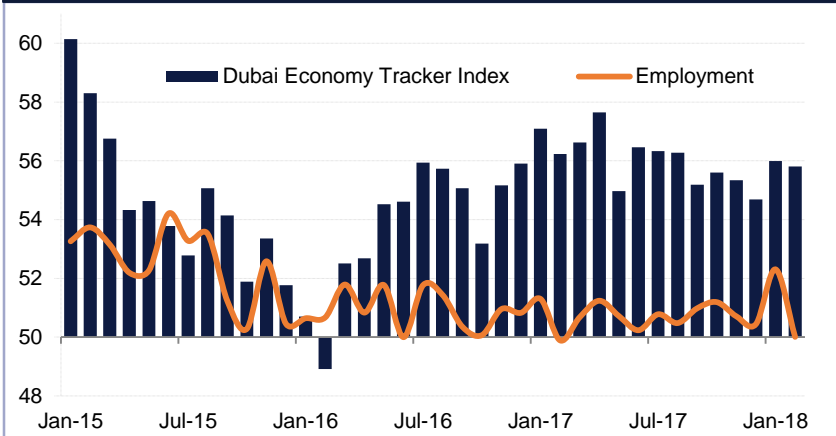
## ENBD Dubai economy tracker sector indices: selling prices



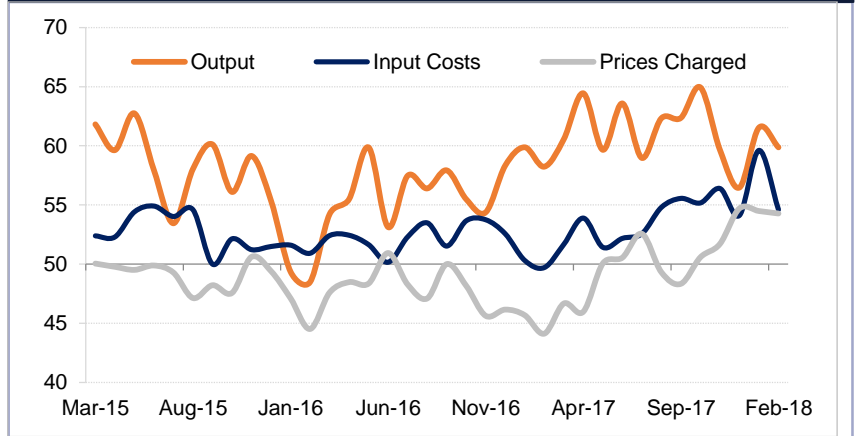


# Dubai: all sectors continued to perform strongly in February

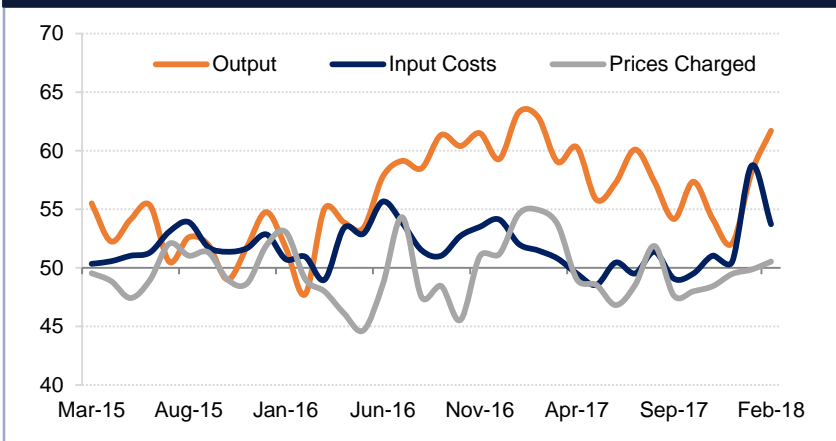
## Strong expansion in the non-oil private sector



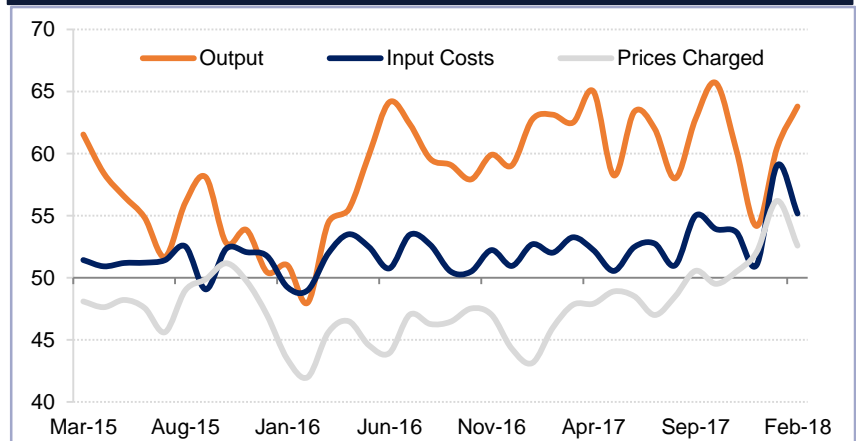
## Construction sector slows in February



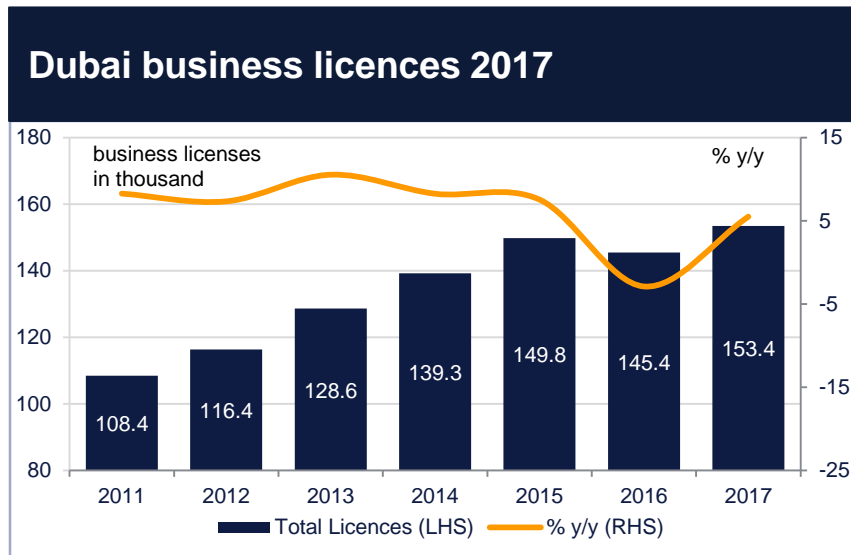
## Travel & tourism index posts highest reading in 13 months



## Wholesale & retail trade sector sees faster expansion in February

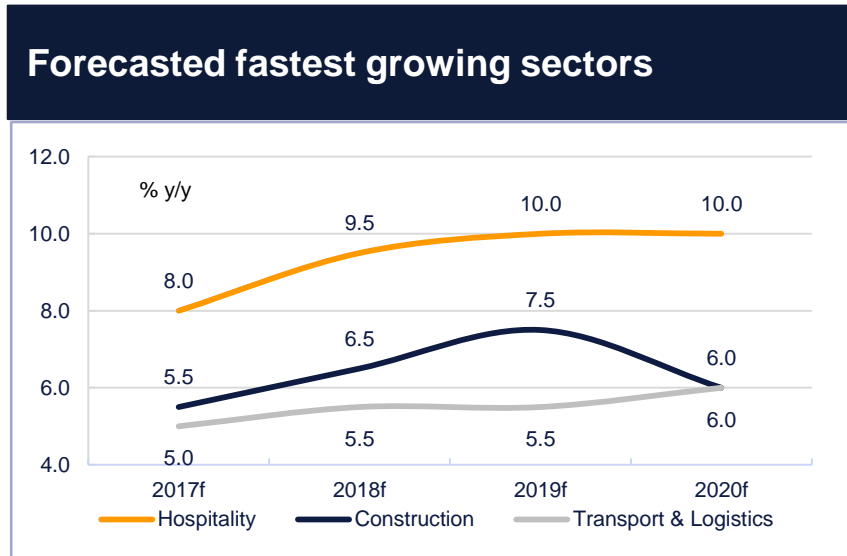
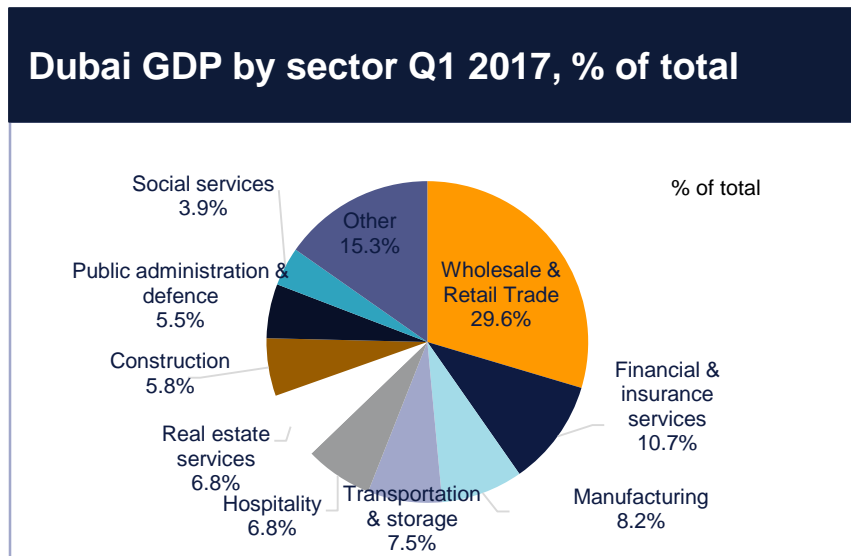


# Dubai economic update 2017



### Sector growth forecasts

Dubai GDP by sector	% of GDP	Y/Y Growth	2016	2017f	2018f	2019f	2020f
Wholesale & Retail Trade	27.5	1.3	3.0	2.5	3.5	4.5	
Transport & Logistics	11.6	4.7	5.0	5.5	5.5	6.0	
Financial Services	10.6	1.3	3.0	4.0	4.5	5.5	
Manufacturing	9.5	3.4	4.0	5.5	4.0	5.0	
Construction	6.6	-0.7	5.5	6.5	7.5	6.0	
Real Estate Services	6.4	6.5	4.0	5.0	6.0	5.0	
Hospitality	5.1	10.6	8.0	9.5	10.00	10.0	



Source: Dubai Statistics, Emirates NBD Research

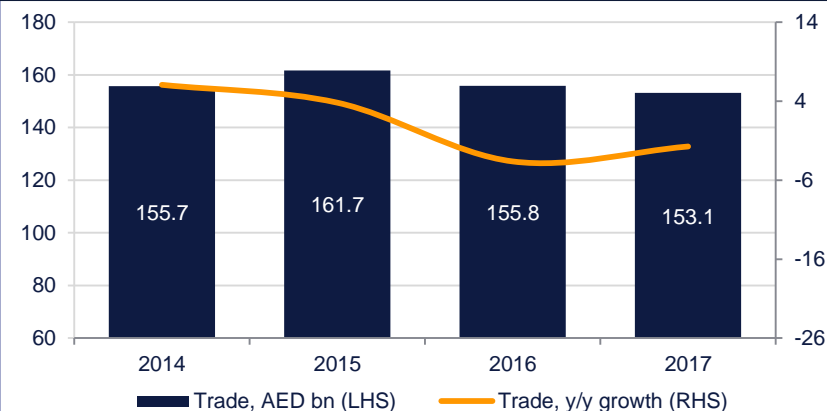
## Highlights

- The wholesale and retail trade index rose to a three-month high of 57.3 in February, indicating a strong rate of growth in the sector. Both output and new orders growth were exceptionally strong. However, job growth was only marginal with the employment index at just 50.4, down from 51.9 in January.
- Encouragingly, selling prices rose for the fourth month in a row, which shows that firms in the sector do have some pricing power, although input costs increased at a faster rate than output prices.
- Card spending in the UAE was 14.8% higher in 2017 compared with the previous year, according to data compiled by Network International. The growth in residents' spending has more than doubled in 2017 (2016: 7.1%) although some of this increase could be due to purchases ahead of VAT. Foreign spending (i.e. on cards issued by non-UAE banks) also increased 10.5% compared with the -10.1% decline in 2016, suggesting that the weaker USD is having a positive impact on visitors' spending.
- The impact of the Qatar blockade in June last year was quite apparent with Qatari foreign spending falling -41.6% y/y in 2017. The remaining GCC peers recorded growth with Saudi Arabia leading the block with a 7.6% y/y increase followed by Oman (6.6%), Kuwait (4.5%), and Bahrain (13.9%).
- The GCC remains the leading tourist source, accounting for 20.0% of the total figure. Saudi Arabia is Dubai's top GCC source market with 1.5mn tourists, a decline of -6.2% y/y. Oman ranked second with 791,000 tourists (-20.0% y/y), followed by Kuwait with 373,000 (-2.0%), Bahrain and Qatar with roughly 100,000 tourists each.

## Total UAE credit card spending



## Credit to wholesale & retail trade

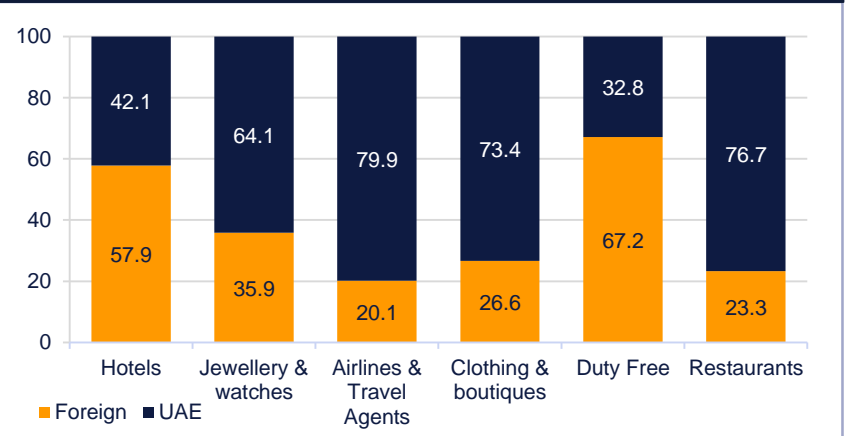


# UAE: Card spending up 14.8% in 2017

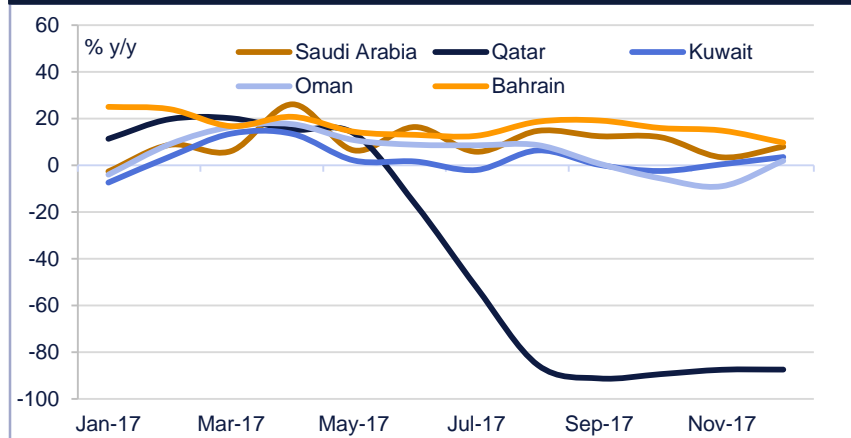
## Top 10 foreign spenders in the UAE

	y/y increase (%)	2017 Rank	2016 Rank
United States	13.3	1	1
Saudi Arabia	7.6	2	2
United Kingdom	7.1	3	3
Russia	58.3	4	7
China	25.6	5	6
Kuwait	4.5	6	5
India	45.2	7	9
Germany	10.8	8	8
Qatar	-41.6	9	4
France	13.7	10	12

## Domestic vs foreign spending, % of total



## GCC spenders in the UAE (3M moving average)



## Foreign spending growth, % y/y growth

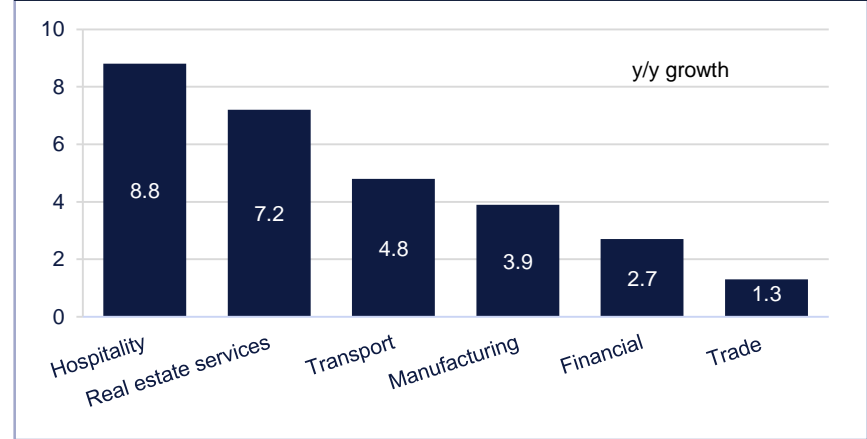


Source: Network International, Emirates NBD Research

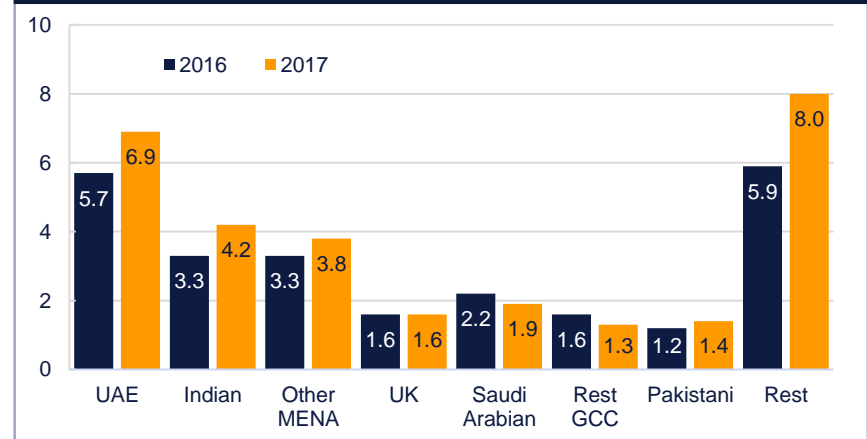
## Highlights

- The latest data on Dubai's residential real estate prices (Phidar Advisory's 9/5 House Price Index) show that on average prices fell another -4.6% in 2017. The total decline since the 2014 peak is -23.4%. Phidar Advisory's Dubai 9/5 House Price Index, which is based on Dubai Land Department data (DLD) from nine apartment communities and five villa communities in investor zones in Dubai, indicated that apartments fared better than villas. Apartment prices declined just -2.8% in 2017 compared with a -11.4% fall in freehold villa prices. Low-range properties held their values better than the premium and the mid- costs segments.
- Given the more upbeat outlook for the GCC economies, oil prices, VAT exception for residential transactions as well as better global growth prospects, we expect the downside for residential real estate to be limited this year. Phidar Advisory expects residential real estate prices to recover modestly in 2019 and rise further in 2020-2021.
- The value of real estate investments reached USD 29.1bn in 2017, up by 17.3% compare with the -32.6% decline in 2016, according to Dubai Land Department (DLD). Dubai's property market attracted investors from all continents with UAE nationals topping the list at USD 6.9bn or 23.6% of the total. India ranked second (USD 4.2bn), followed by Saudi Arabia (USD 1.9bn), UK (USD 1.6bn), and Pakistan (USD 1.4bn). Other top investors in Dubai's real estate include citizens from China, Jordan, Egypt, and Canada.

## Key sector GDP growth rates, Q1 2017

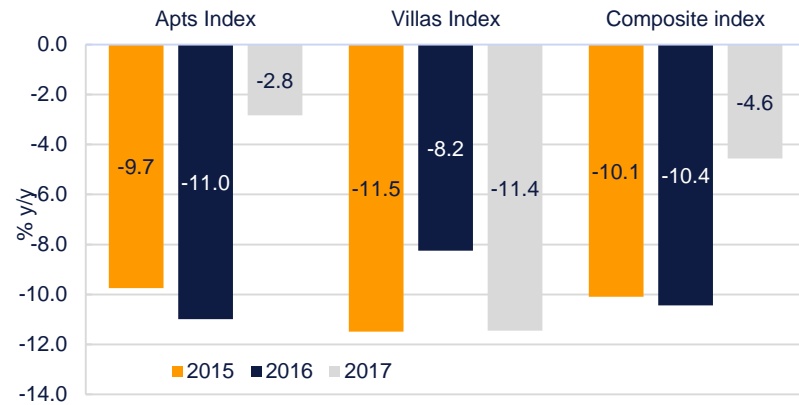


## Investment in Dubai real estate in USDbn

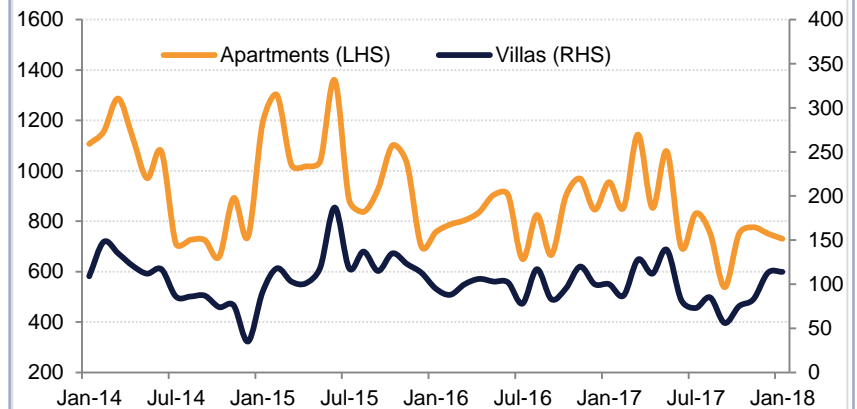


# Dubai: Pressure on residential real estate prices eases in 2017

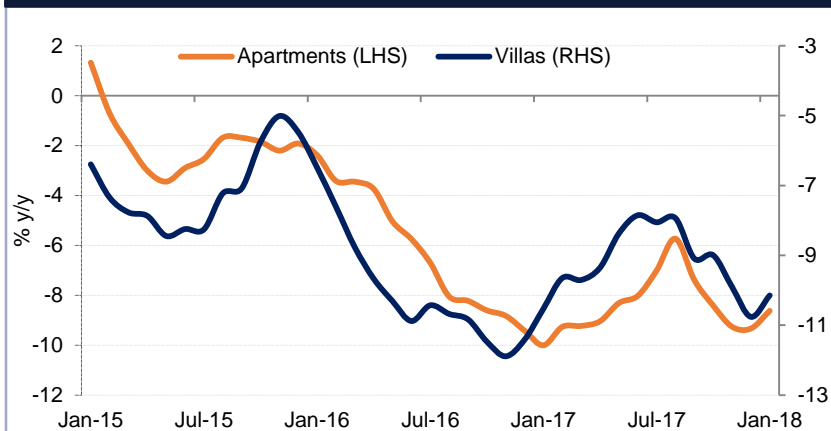
## Dubai residential property prices



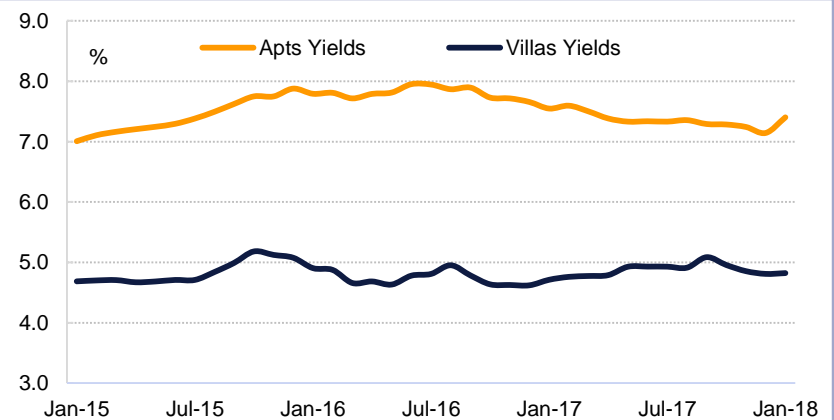
## Volume growth turns positive in 2017 (whole of Dubai)



## Rents declined at a slower rate in January



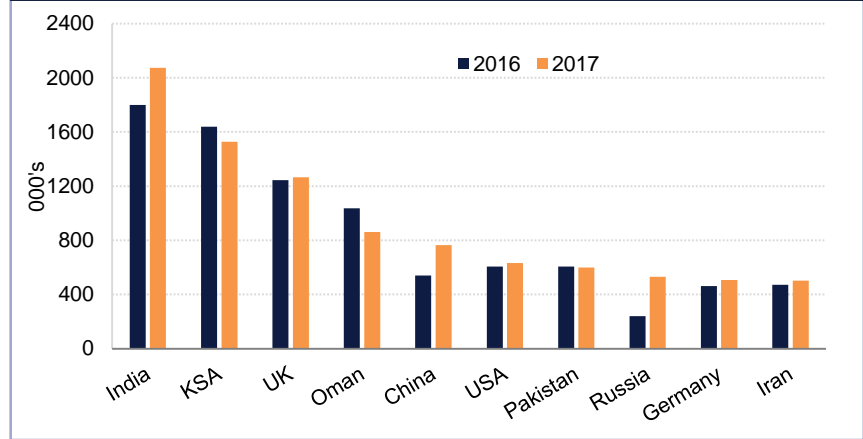
## While yields remain high



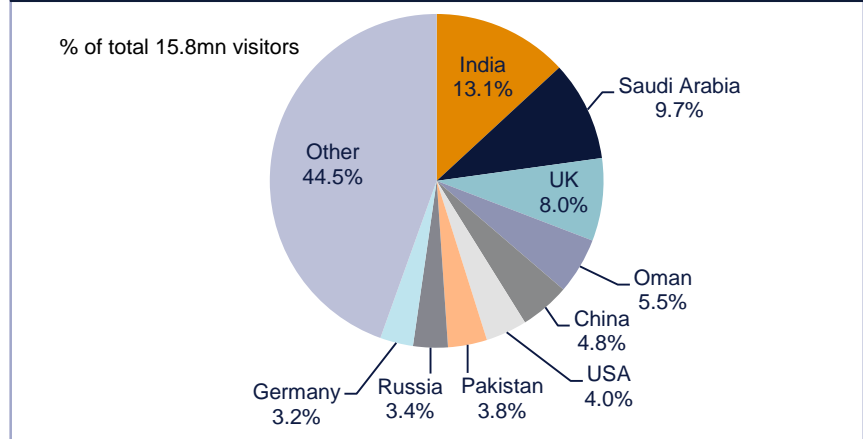
## Highlights

- After a relatively soft Q4 2017 (with an average index reading of 52.4), the travel and tourism sector appears to have found its mojo in the first couple of months of this year. Output and new work rose at a sharp rate in February and input costs moderated after a spike in January (which was as a result of VAT).
- After five consecutive months of price discounting, firms in the travel and tourism sector were able to marginally increase selling prices in February. However, employment decreased slightly after a rise at the start of this year. Firms in this sector were still optimistic about the coming year overall, but slightly less so than in previous months.
- The number of tourists coming to Dubai and staying in hotels including holiday rentals and on-board cruise ships for at least one night reached 15.8mn in 2017, up by 6.2% compared with the same period last year. Western Europe was the lead tourist source for 2017, accounting for 21.0% of the total figure, followed by the GCC (19.0%) and South Asia (18.0%).
- The recent regulatory changes of easing visa rules for Chinese, Russian and Indian citizens to the UAE is still evident in the sustained growth of these markets with 41.5%, 120.8% and 15.2% growth respectively over 2017. The 15.0% appreciation in RUB/USD over the last year has likely contributed to the recovery of Russian spending during the course of 2017.

## Dubai top 10 tourist markets, 2017



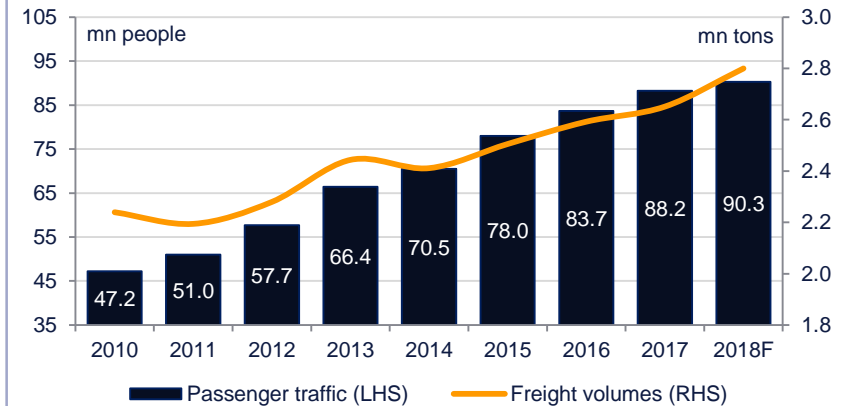
## Top 10 visitors by nationality, 2017



## Highlights

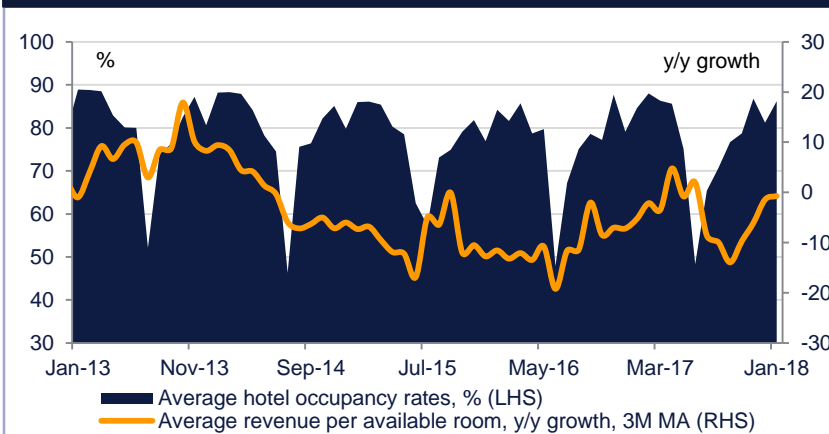
- Passenger traffic at the Dubai International Airport (DXB) rose to 88.2mn in 2017, up 5.5% y/y. Cargo volume was up 2.3% y/y over the same period.
- Dubai's hotel occupancy averaged 77.3% in 2017 slightly up from 76.9% the same period a year ago. Revenue per available room (RevPAR) has broadly recovered y/y in 2017, following two years of double digit decline.
- The supply of hotel rooms in Dubai increased by 5.5% y/y in 2017 to 97,546 rooms. The Department of Tourism and Commerce Marketing (DTCM) is targeting 140,000 to 160,000 hotel rooms by the end of the decade.

## Dubai airports passenger traffic



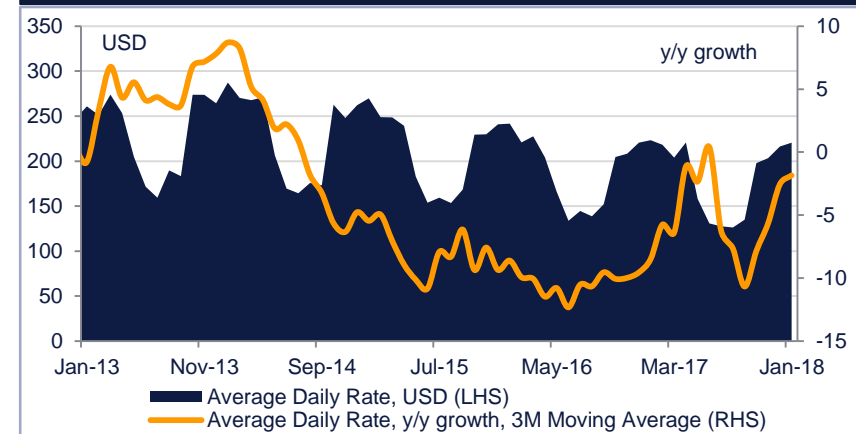
Source: Dubai Airports, Bloomberg, Emirates NBD Research

## Annual change in occupancy & RevPAR



Source: STR Global, Bloomberg, Emirates NBD Research

## Change in average daily rate



Source: STR Global, Bloomberg, Emirates NBD Research



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