



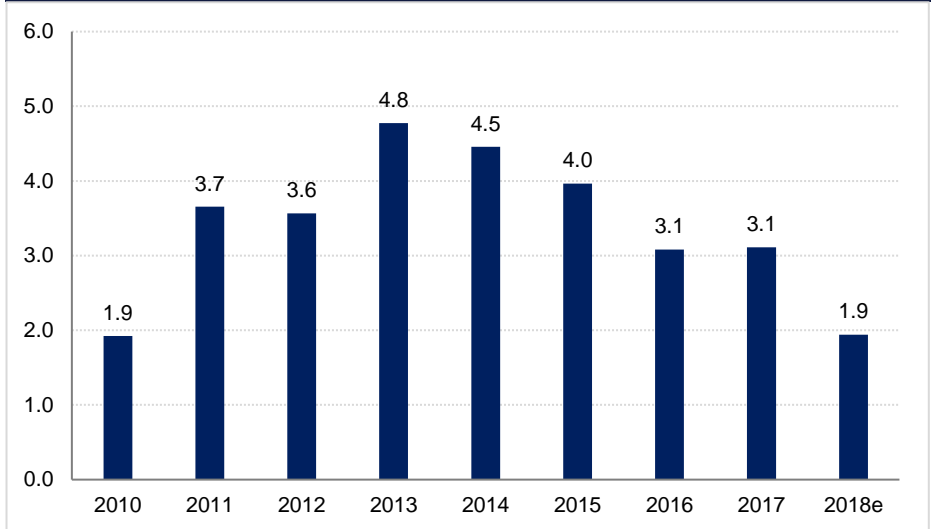
بنك الإمارات دبي الوطني
Emirates NBD

Economics
28 March 2019

Dubai's GDP growth slowed to 1.9% in 2018

Dubai's real GDP grew to AED 398.1bn, broadly in line with our forecast of AED 400.4bn. However, the growth rate of 1.9% was lower than the 2.8% we had pencilled in because 2017 GDP growth was revised up from 2.8% to 3.1%.

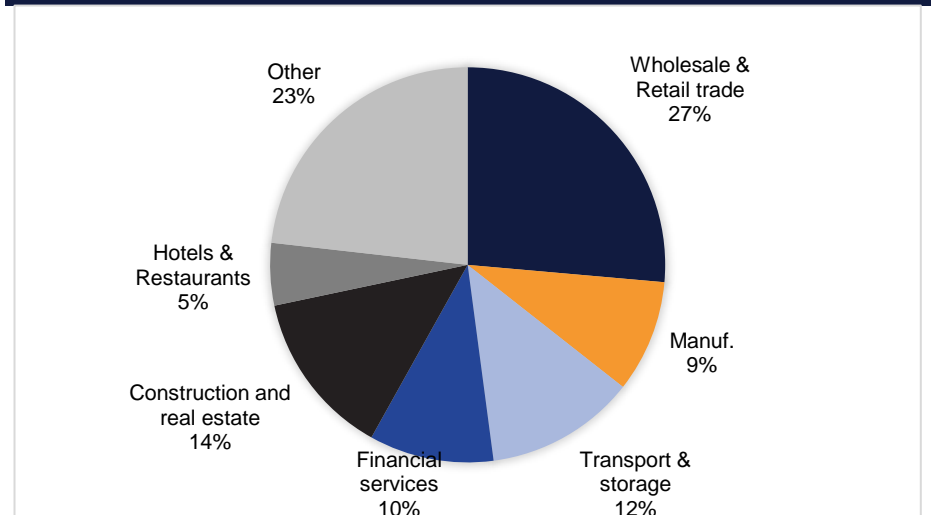
Dubai: GDP growth slowed in 2018



Source: Dubai Statistics Centre (DSC), Emirates NBD Research

The biggest contributors to Dubai's growth last year were real estate services and construction. Real estate services grew 7.0% y/y, up from 4.4% in 2017, while the construction sector grew 4.5% in 2018, the fastest rate of growth since 2008. While real estate prices declined last year, real GDP measures the volume of goods and services produced in the economy, and there has been a visible increase in construction sector activity over the last couple of years.

Dubai: Wholesale & retail sector is still the largest

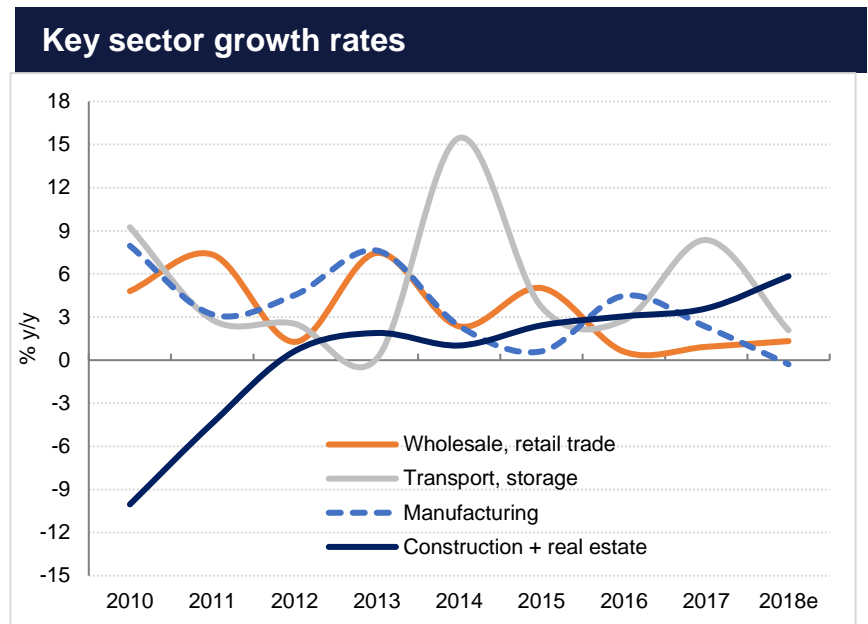


Source: Dubai Statistics Centre, Haver Analytics, Emirates NBD Research

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Wholesale & retail trade sector growth remained sluggish

The largest sector of Dubai's economy is wholesale & retail trade, which accounts for about 26% of Dubai's real GDP. This sector grew 1.3% last year, slightly better than the 0.9% growth in 2017. However, growth in the sector from 2016-2018 averaged just 0.9% p.a., compared with 4.7% p.a. growth over 2010-2015.



Source: Dubai Statistics Centre, Haver Analytics, Emirates NBD Research

Moreover, other key sectors such as transport & storage (which accounts for around 12% of Dubai's GDP) and manufacturing (9% of GDP) grew at a much slower pace in 2018 relatively to 2017. The **transport & storage sector grew 2.1% in 2018**, down from 8.4% in 2017 and the slowest rate of growth since 2013. This likely reflected a slowdown in global trade volumes last year, particularly from China to the rest of the world. However, slower growth in passenger traffic through Dubai's airports and lower air-freight volumes also probably contributed to softer growth in this sector overall.

The **manufacturing sector saw a marginal contraction last year of -0.3% y/y**; the first time the sector has contracted since 2009. Financial services, which accounts for around 10% of Dubai's economy, grew 0.6% in 2018, after contracting -0.7% in 2017. Growth was also slower in the hotels & restaurants and health & social work sectors in 2018.

2019 growth is likely to be faster than 2018

Although growth was slower than we had forecast last year, the size of the economy – the baseline from which this year's GDP growth is calculated – was in line with our estimates.

We continue to expect growth in Dubai to be driven by the construction and real estate sectors this year, as Expo 2020 related infrastructure projects are completed and more residential housing supply is delivered to the market. As a result, we retain our 3.5% GDP growth forecast for Dubai in 2019, pending the release of full UAE GDP data for 2018.

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