



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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Dubai Economy Tracker: Tourism supports rebound in March

The headline Dubai Economy Tracker Index rose to 57.6 in March from 55.8 in February, the highest reading since May 2018. The main driver was faster growth in output and new work across Dubai's private sector last month. However, this increase in volume of activity and pipeline of new work was partly due to further price discounting, particularly in the wholesale & retail trade sector.

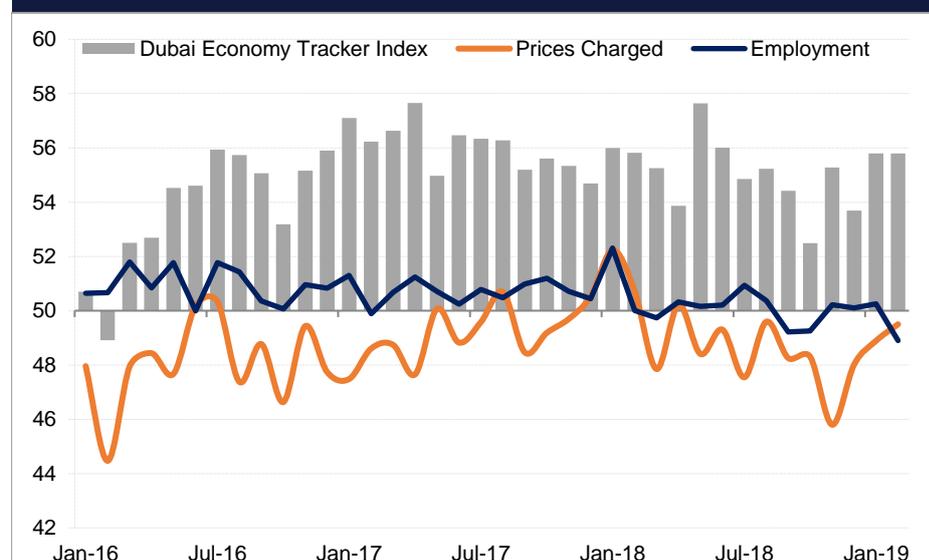
Business activity/ output in Dubai's private sector increased at the sharpest rate in more than four years in March, with nearly 40% of firms surveyed reporting higher output last month compared with February. Output in the travel & tourism sector was the strongest since the series began in March 2015 and was likely a key driver of the overall growth in activity in Dubai last month. New orders also rose at a faster rate last month, with this sub-index rising to 63.8 from 59.7 in March.

However, **the sharp rise in output and new work was at least partially due to further price discounting, with selling prices declining at the fastest rate since December 2018.** Input costs rose only modestly, but firms continue to see margins being squeezed. The pressure to reduce costs has meant that the recovery in activity and new work registered in March did not translate into much job growth; **only 3% of firms surveyed reported increased hiring while 1% of firms reported lower headcount last month.**

Nevertheless, firms were more optimistic about their output next year, with more than three-quarters of panelists expecting their output to be higher in a year's time.

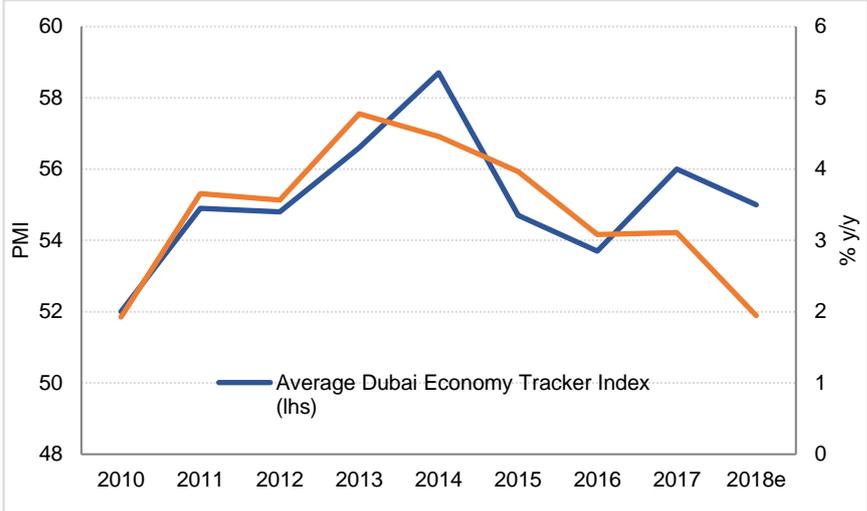
Official estimates show that Dubai's real GDP growth slowed to 1.9% last year from 3.1% in 2017. The PMI data for 2018 suggests that the preliminary estimate for growth last year may be on the low side, with upward revisions likely in the future. **Nevertheless, we continue to believe that Dubai's growth will accelerate this year,** as projects are completed ahead of Expo 2020, and as the US dollar weakens now that US interest rates have likely peaked.

Employment index falls to a record low in February



Source: IHS Markit, Emirates NBD Research

Average PMI reading for 2018 suggests faster GDP growth than 1.9% reported



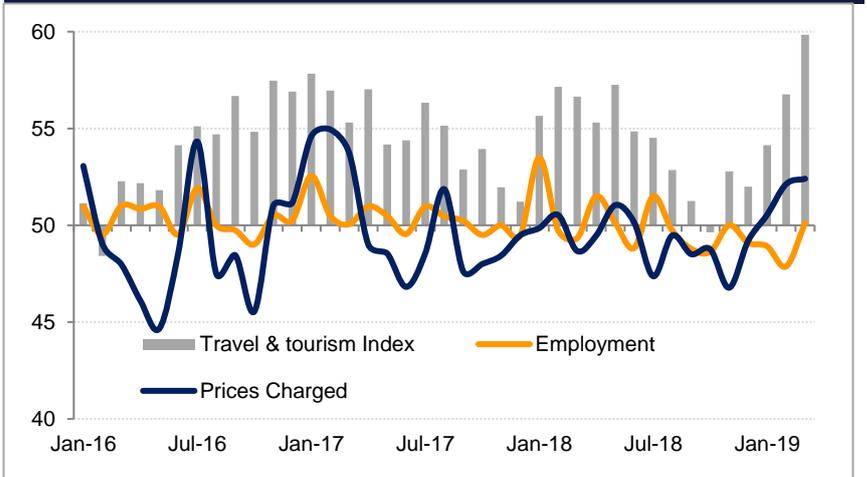
Source: IHS Markit, Emirates NBD Research

Travel & tourism sector index signals strongest expansion since at least March 2015

The travel & tourism sector index rose to 59.8 in March, the highest reading since the series began in March 2015. The main reason was a surge in output/ activity and new work last month, with both indices rising to a record high. Encouragingly, firms were able to raise selling prices even as volumes rose, which indicates a strengthening in underlying demand.

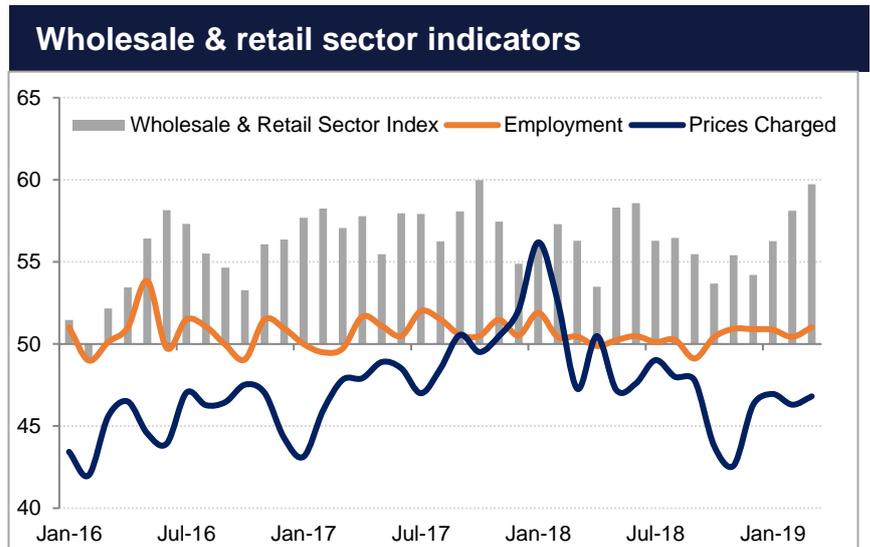
Employment in this labour-intensive sector was broadly flat in March, despite the surge in output and new work. However, firms were more optimistic than they have been over the previous three months about their future output.

Travel & tourism sector indicators



Source: IHS Markit, Emirates NBD Research

Wholesale & retail sector sees further price discounting

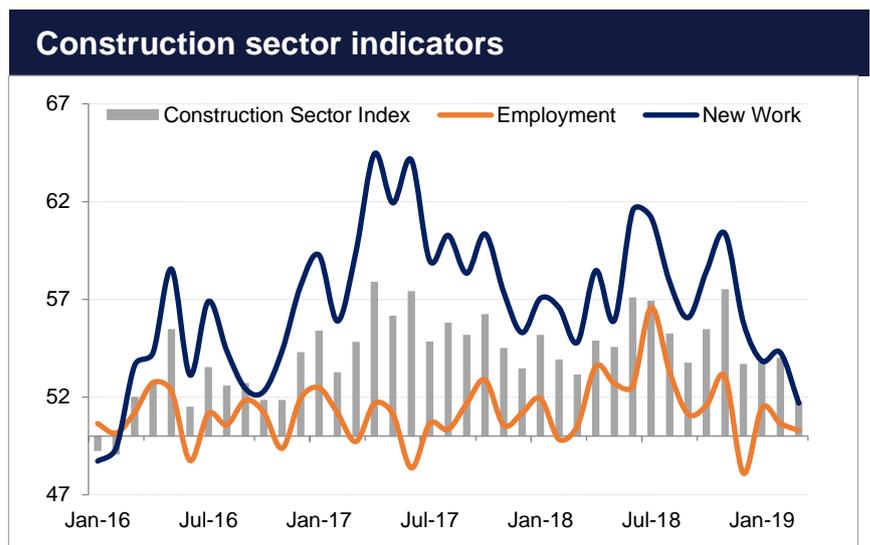


Source: IHS Markit, Emirates NBD Research

The wholesale & retail trade sector also saw strong growth in the volume of activity and new work in March, with the output index reaching a series-high and new work rising at the fastest pace since October 2017. However, price discounting in the sector continued, with the selling price index at 46.8 in March. Input cost inflation eased last month however, providing some relief for businesses in this sector.

There was only modest job growth in the wholesale & retail trade sector last month, despite the record rise in activity. The employment index rose to 51.0 from 50.4 in February.

Construction sector pipeline sees little growth in March



Source: IHS Markit, Emirates NBD Research

The construction sector index declined to 51.8 in March from 54.0 in February, the lowest reading since December 2016. While output/ activity growth remained robust as firms work towards delivering projects ahead of Expo 2020, **the new work index fell to the lowest level since February 2016**. More than one-third of firms surveyed indicated a rise in new orders in March, but 30% reported a decline in new work. Moreover, firms discounted prices for the first time since December, and to the largest extent since April 2017.

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