



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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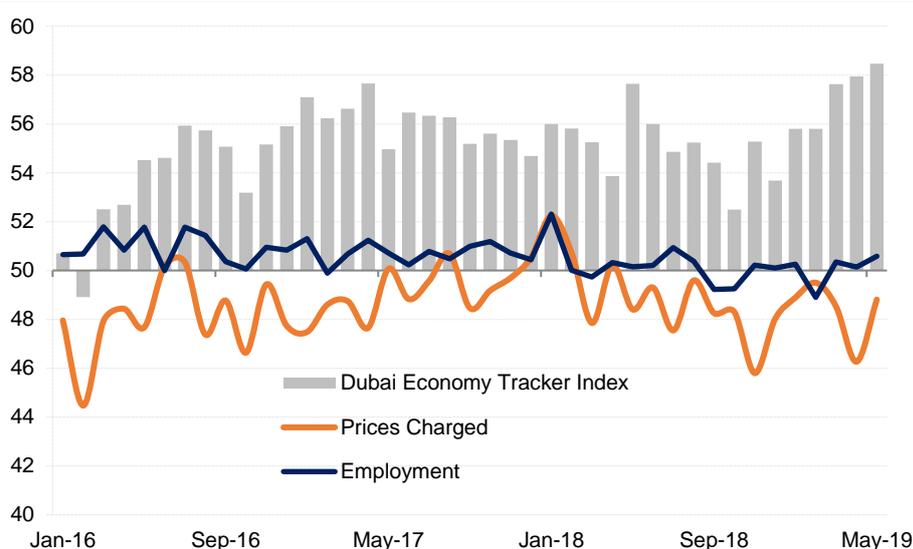
Dubai Economy Tracker: Record rise in output in May

The headline Dubai Economy Tracker (DET) Index rose to 58.5 in May, the highest reading since January 2015 on the back of strong growth in output and new orders. 52% of firms reported higher output/ activity last month while 50% reported increased new orders, significantly higher than in April. Despite this strong growth in the volume of activity and pipeline of new work, **fewer than 2% of the panellists hired more workers**.

Moreover, **firms continued to discount prices in May**, marking the thirteenth consecutive month of selling price declines. However, input cost inflation was the weakest since July 2017, providing some relief to firms' margins.

The sharp rise in activity and new work in May likely contributed to high levels of business optimism in Dubai's private sector, with nearly 88% of firms surveyed expecting their output to be higher in a year's time.

DET index rises in May



Source: IHS Markit, Emirates NBD Research

Wholesale & retail trade index at record high in May

The wholesale & retail sector index rose to a record high of 61.9 in May, again reflecting strong growth in new work and total activity. While there was further price discounting in this sector in May, it was not as deep as in previous months. Although the data is seasonally adjusted, some of the boost to activity may have been due to Ramadan which fell in May this year rather than June, and typically sees households spending more during the month.

Employment in the wholesale & retail sector grew at a fastest rate since May 2016; that only 6% of firms reported increased hiring highlights just how weak job growth has been over the last couple of years.

Stocks of inventories also grew at the fastest pace in nearly a year, contributing to the overall rise in the sector index.

Wholesale & retail trade sector indicators



Source: IHS Markit, Emirates NBD Research

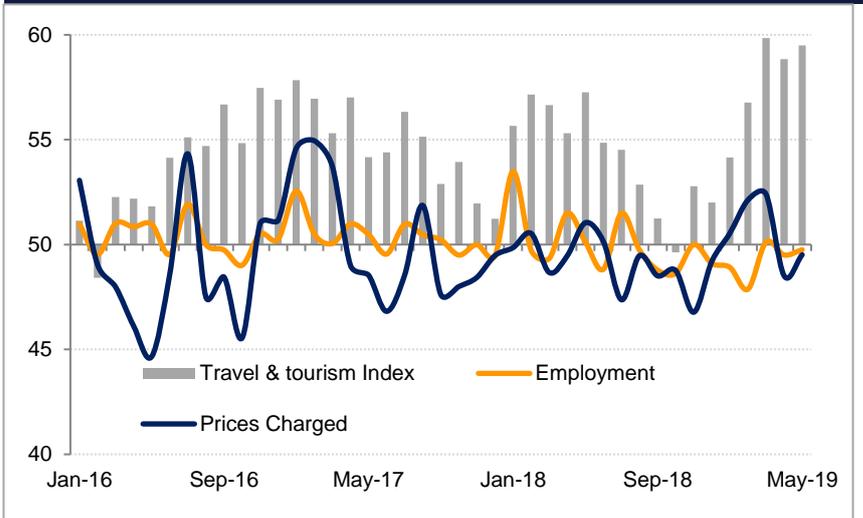
Travel & tourism sector gains momentum

The travel & tourism sector index rose to 59.5 in May, bringing the 3-month moving average to 59.4, the highest since the survey began in March 2015. Both new work and output in the travel & tourism sector rose at a record rate in May. Encouragingly, selling prices were broadly unchanged last month and input costs were also contained.

However, the employment index was fractionally below the neutral 50.0-level for the second month in a row, and has averaged 49.2 since the start of the year. This signals an **average decline in jobs in this sector year-to-date, despite the strong rebound in activity and new work.**

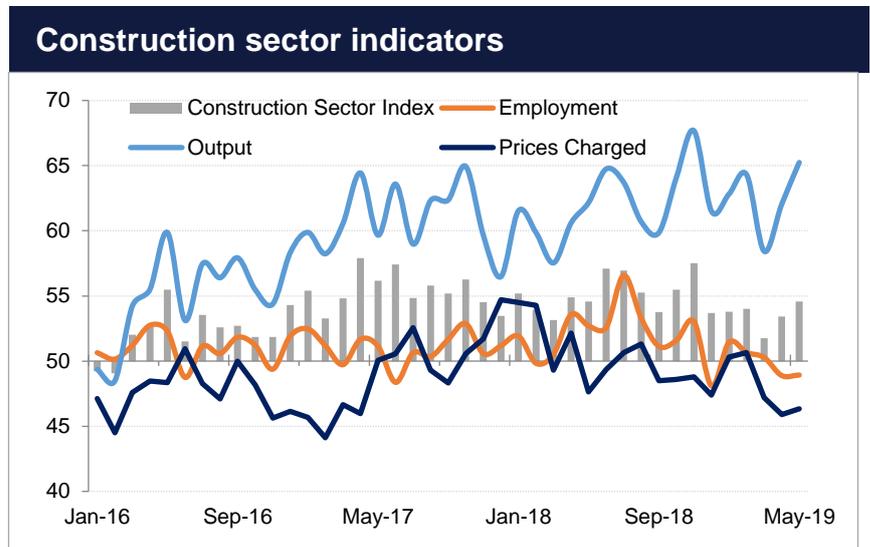
Firms in the sector remain highly optimistic about their output in twelve months' time, which is unsurprising as Expo 2020 approaches.

Travel & tourism sector indicators



Source: IHS Markit, Emirates NBD Research

Construction sector output rises at the fastest rate this year



Source: IHS Markit, Emirates NBD Research

The construction sector index rose to 54.6 in May, the highest reading since December 2018. The main driver was a sharp rise in output, as many projects are targeted for completion this year, to be ready for Expo 2020. We therefore expect output to be strong in the construction sector over the next 12 months. 94% of firms surveyed expect their output to be higher in a year's time, concurring with our view and pushing the business optimism index to a record high of 97.0 in May.

New work also increased at a faster rate in May, but the average index year-to-date is lower than for Jan-May 2018. Moreover, price discounting in the construction sector was steeper than in the other sectors surveyed in May, with selling prices falling for the third month in a row. Employment also declined for the second month in a row, despite the surge in activity.

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