

# Emirates NBD Research UAE Sector Chart Pack

Thanos Tsetsonis

[athanasiost@emiratesnbd.com](mailto:athanasiost@emiratesnbd.com)

May 2018

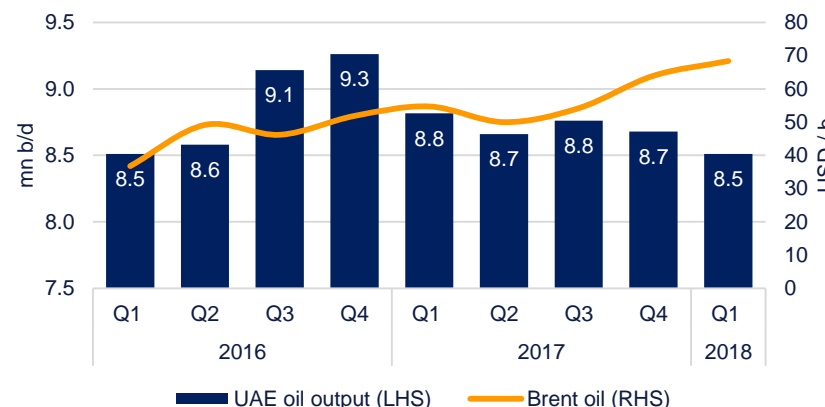


# UAE: Downside risks to 2018 growth forecast due to lower oil production estimates

## Highlights

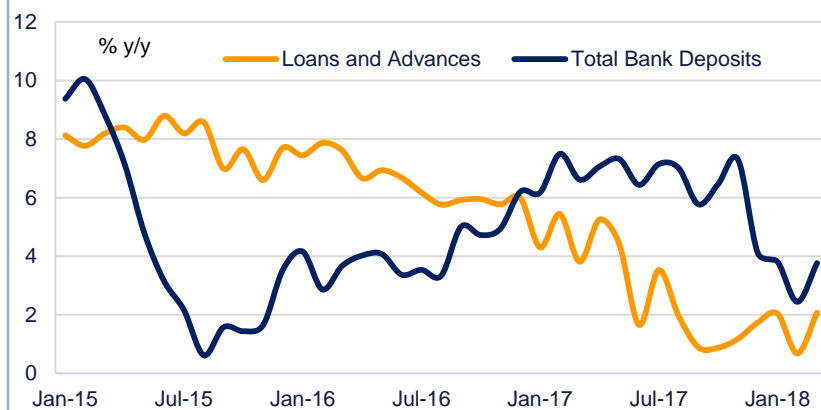
- We have revised our oil market forecasts and now anticipate that Brent crude futures will record an average of USD 69/b in 2018. A potential move to as high as USD 80/b appears possible in the current climate.
- Prices should begin to taper off slightly by the end of the year even with a relatively wide market deficit as we think the risk of a broader slowdown in global growth will become more apparent by the end of 2018, weighing on commodity prices.
- UAE's non-oil private sector growth increased slightly in April, with PMI reaching 55.1 (54.8 in March). However, strong output and new order growth has not translated into faster employment growth.

## Oil prices revised higher



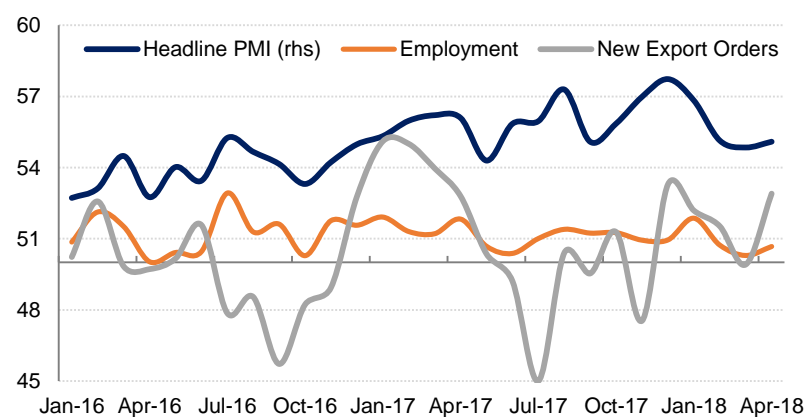
Source: Bloomberg, Emirates NBD Research

## UAE bank loan and deposit growth



Source : Haver Analytics, Emirates NBD Research

## UAE PMI: Export orders recovered in April



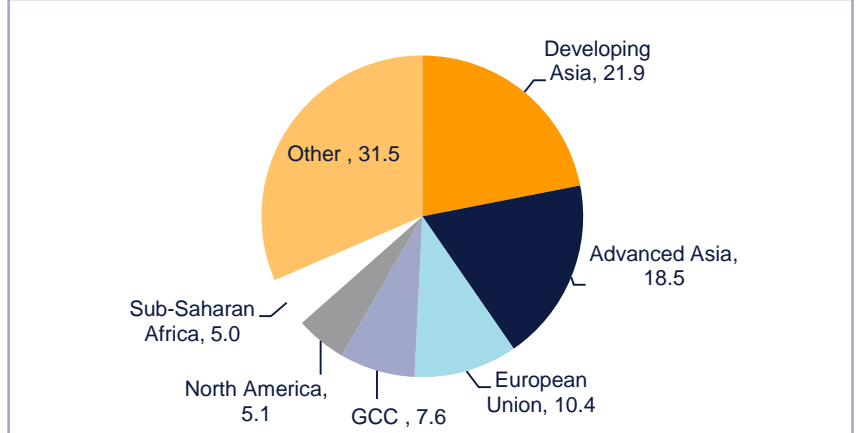
Source : Markit, Emirates NBD Research

# UAE's trading partners, 2017

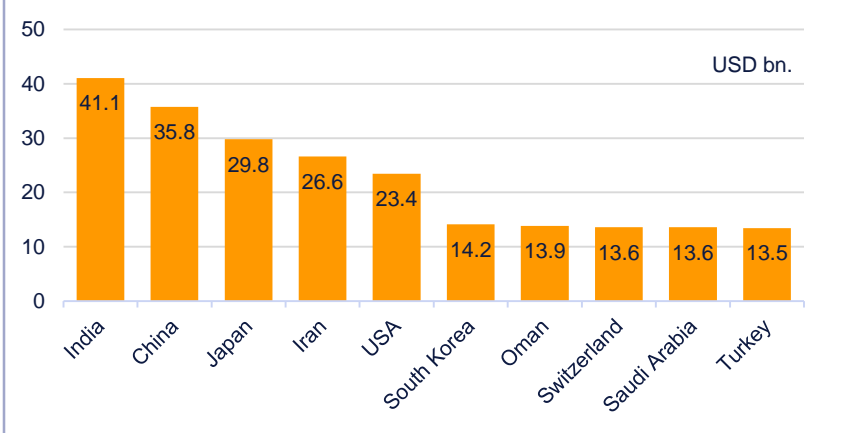
## Highlights

- In terms of trading partners, Asia (developing & advanced) topped the list with 40.4% of the total trade volume amounting to USD 197.1bn in 2017.
- EU followed with USD 50.8bn (10.4% of total trade), GCC with USD 36.9bn (7.6%) and North America with USD 25bn (5.1%).
- In 2017, the countries with the highest y/y trade growth were Turkey, Iran and UK. 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.

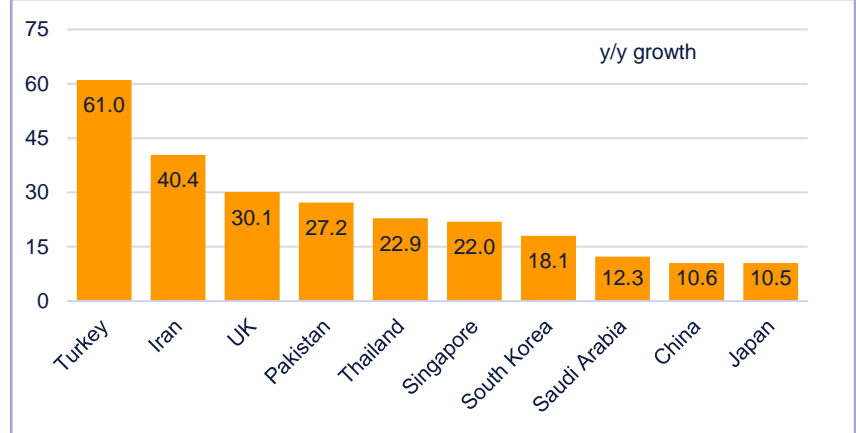
## UAE's trading partners by region, % of total trade, 2017



## UAE's top 10 trading partners, 2017



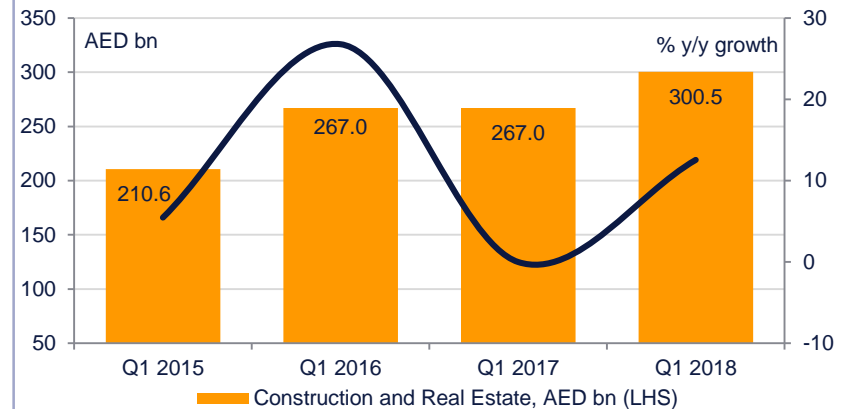
## Highest y/y growth rates, 2017



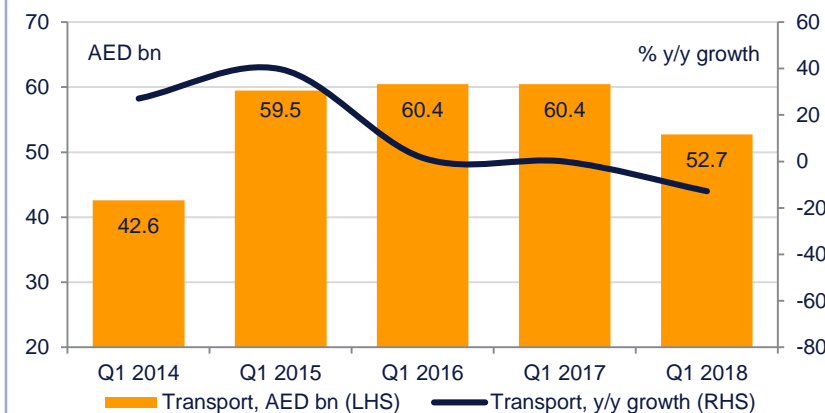
## Highlights

- Appetite for business credit in the UAE as a whole increased moderately in Q1 2018, with a decrease in demand reported in Abu Dhabi, according to the latest credit sentiment survey by UAE Central Bank.
- Demand for personal loans decreased in Q1. Consistent with previous quarters in terms of credit availability, more than 90% of survey results cited that the credit standard were unchanged across all the categories.
- In terms of outlook, demand for business loans is expected to increase further in Q2 2018 while demand for personal loans in aggregate is expected to remain weak for the same quarter.

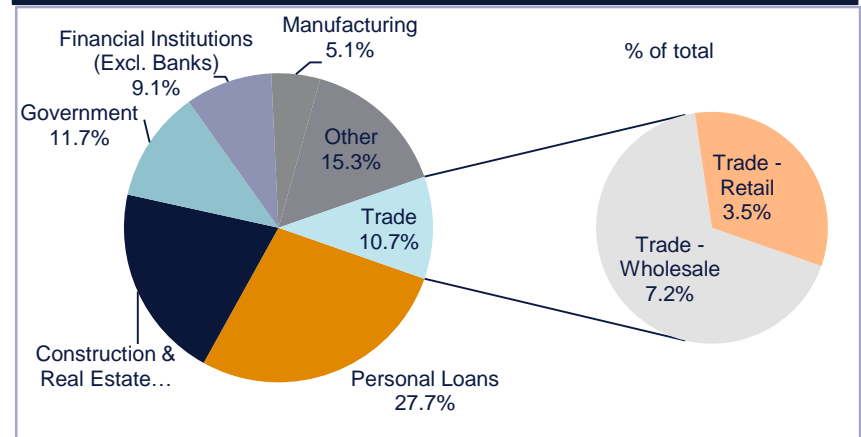
## Credit in construction & real estate



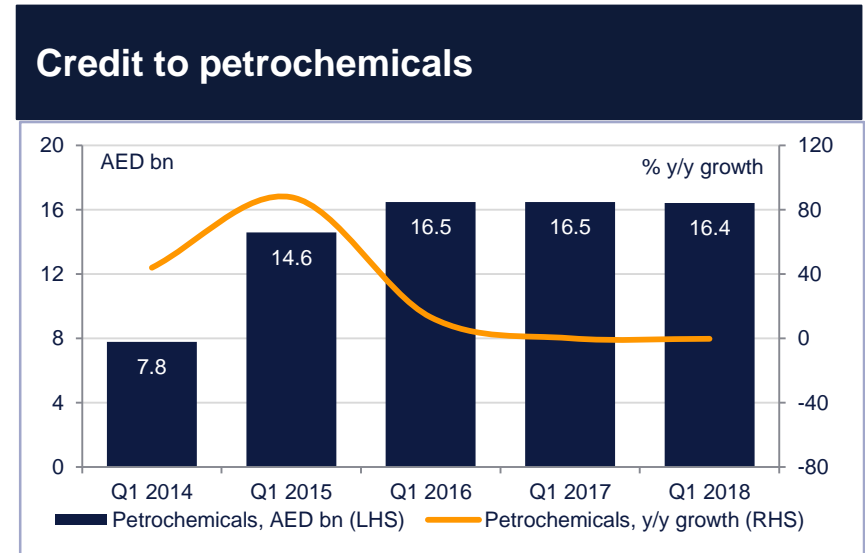
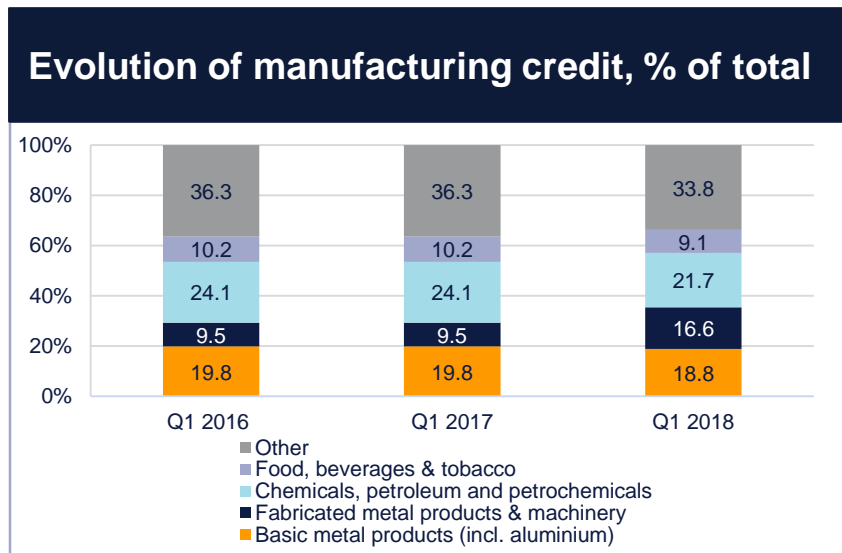
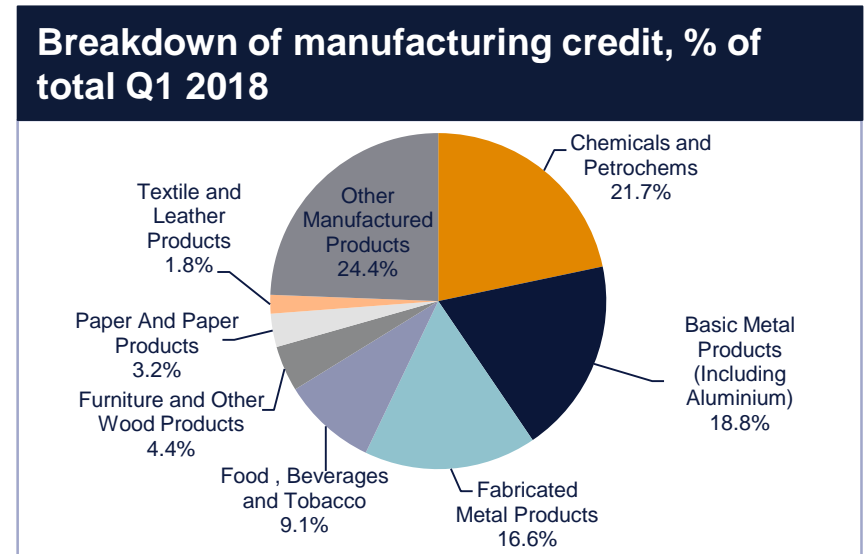
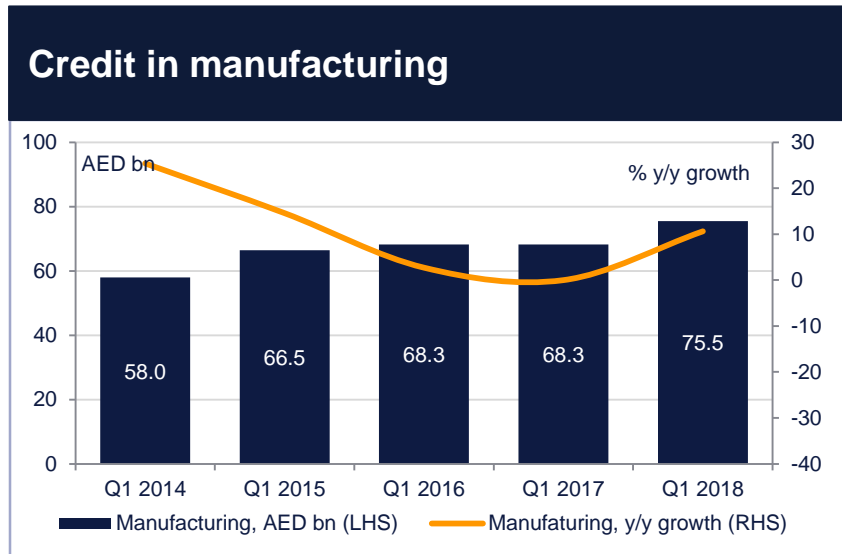
## Credit in transport & logistics



## Credit in wholesale & retail trade Q1 2018



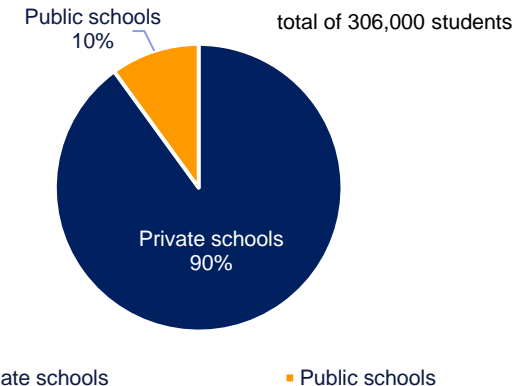
# UAE: Credit growth in manufacturing Q1 2018



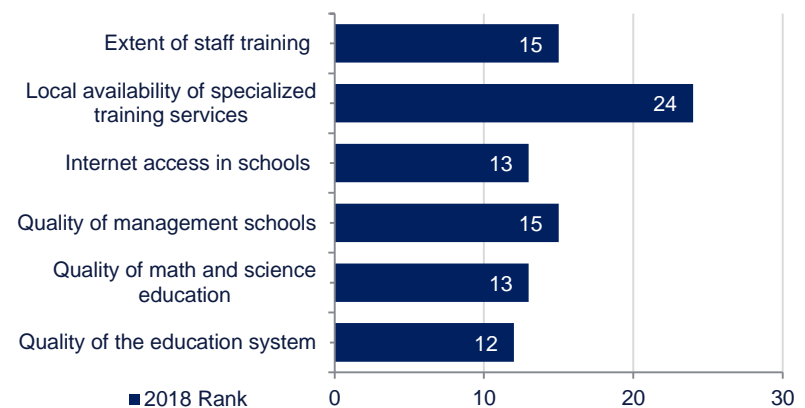
## Highlights

- Federal government expenditure is expected to increase in 2018 to AED 51.4bn, out of which 17.1% or AED 10.4bn will be directed to the education sector. Under UAE vision 2021, educational programs are to be focused on improving education infrastructure by equipping all schools, universities and colleges with smart systems.
- Dubai's private education market remains one of the most attractive and fastest growing markets globally with AED 6.8bn of tuition revenues (academic year 2016/17). During the academic year 2016/17, a total of 260 schools existed in Dubai providing education to 306,000 students out of which 273,600 (90%) were enrolled in private schools.
- Over the next few years, the number of private schools in Dubai and Abu Dhabi are projected to grow in anticipation of significantly higher enrollment figures. UAE Ministry of Education expects 400,000 students in Dubai by 2020, and 283,800 in Abu Dhabi by 2021.
- Overall, UAE was ranked 42nd among 188 countries in the 2017 Human Development Index (HDI). Separately, in the 2017-2018 Global Competitiveness Report, UAE was ranked as 12th and 16th based on the parameters of quality of higher education and training, and primary education, respectively.
- The quality of education is indicative of the existence of renowned schools and colleges in the country. The gradual expansion of the smart learning program, launched five years ago, has enabled the country to rank 13th in terms of providing internet access at its schools.

## Students in Dubai, 2017



## UAE quality of education rankings, out of 137 countries

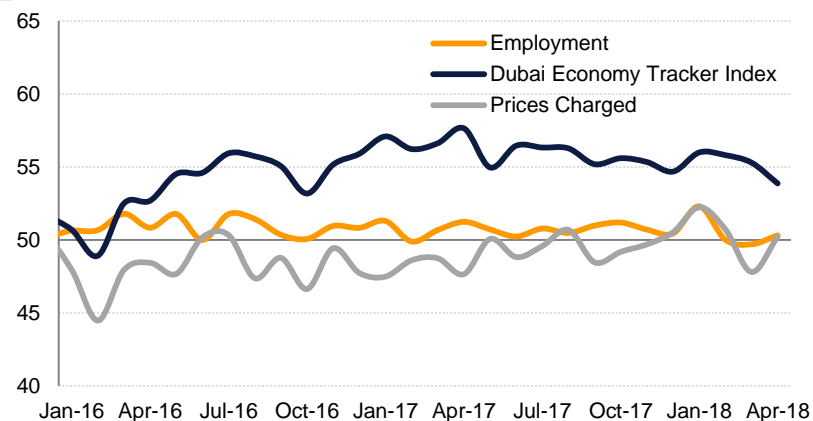


# Overall business activity growth in Dubai's non-oil private sector increased at a slower rate in April

## Highlights

- The headline Dubai Economy Tracker Index (DET) fell to 53.9 in April from 55.3 in March and from a 2018-high of 56.0 in January. Both output (57.1) and new work (58.0) increased sharply last month but at a slower rate than in previous months.
- The employment index signaled a marginal increase in jobs last month, with the index at 50.3, up from 49.7 in March.
- The input cost index rose to 54.3, the highest reading since January, when VAT pushed the index up to 59.2. Selling prices were largely unchanged however, with the output price index only just above the neutral level despite the much higher input price inflation.

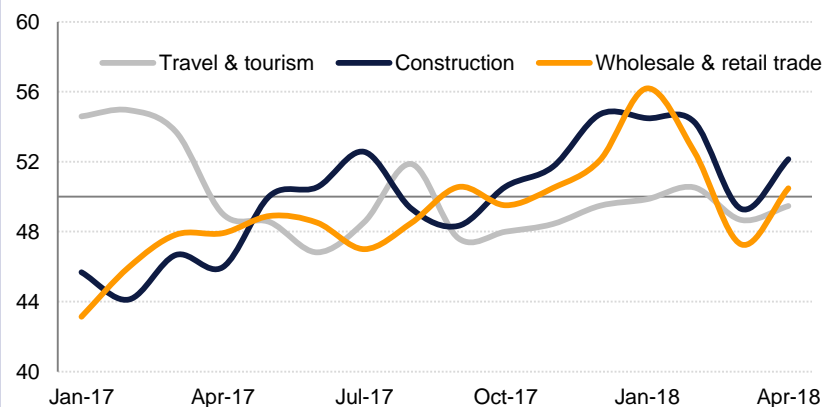
## Emirates NBD Dubai economy tracker



## ENBD Dubai economy tracker sector indices

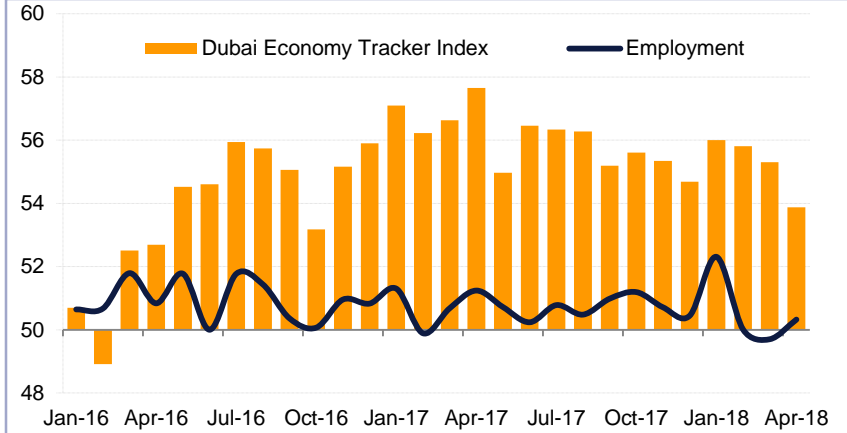


## ENBD Dubai economy tracker sector indices: selling prices

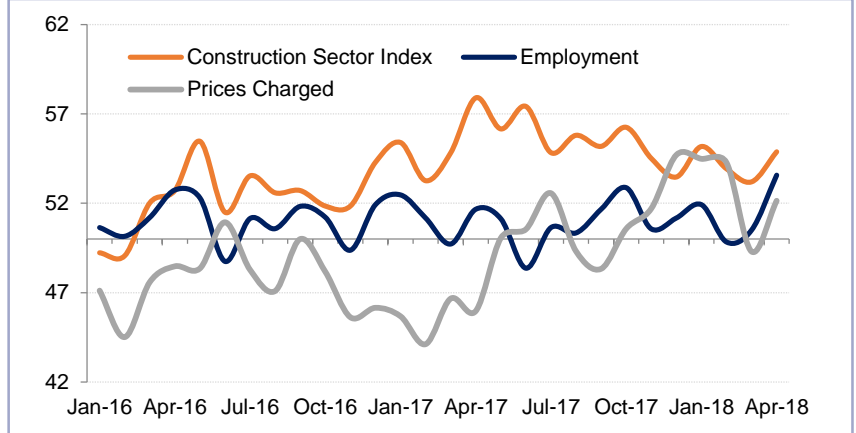


# Travel & tourism remained the strongest performer (55.3), followed by construction (54.9) and wholesale & retail (53.5)

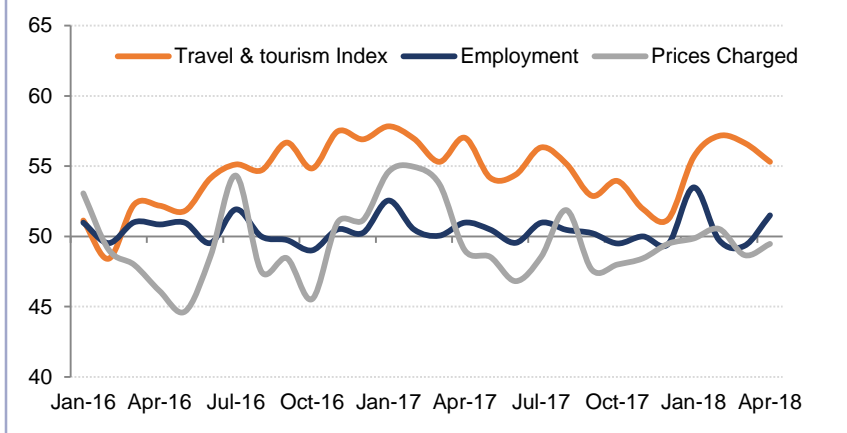
## Employment index signaled a marginal increase in jobs



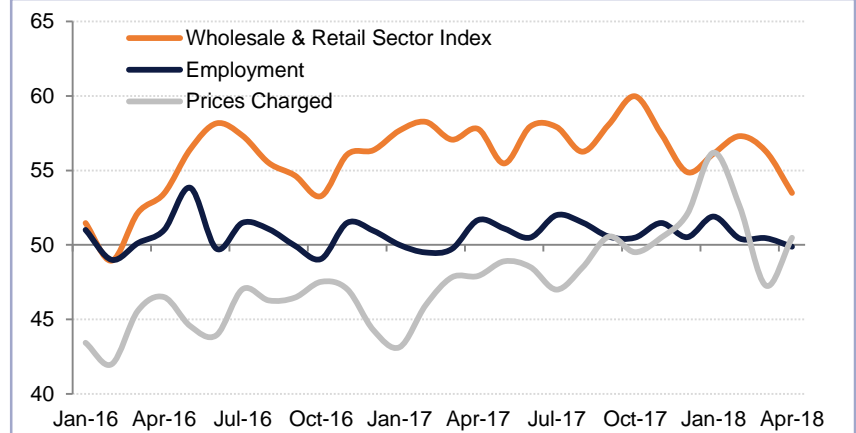
## Construction sector activity accelerated in April



## Travel and tourism sector index declined last month

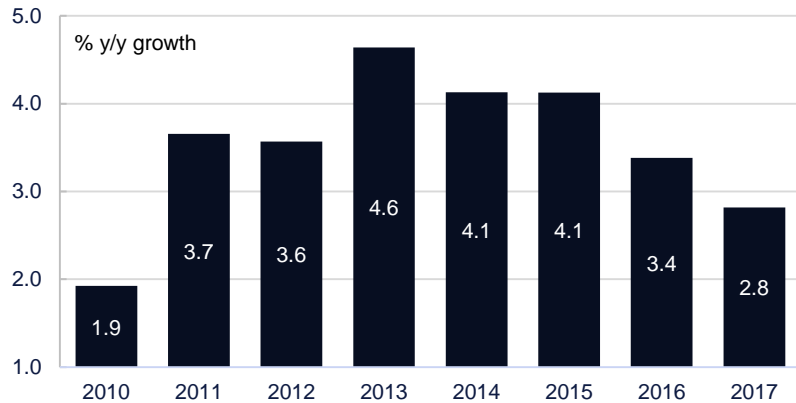


## Wholesale & retail trade sector momentum slowed in April

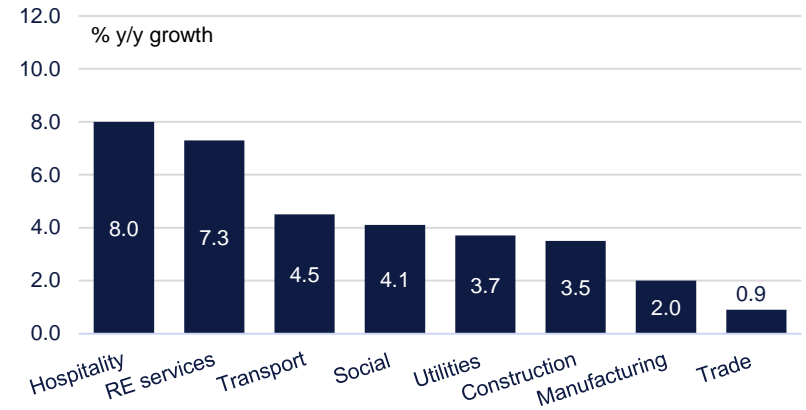




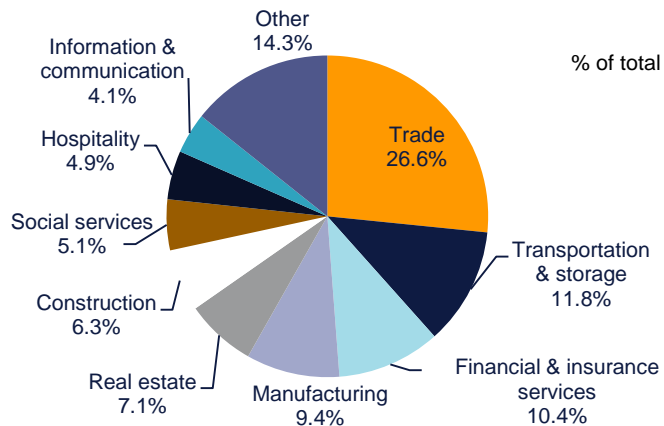
## Dubai GDP grew 2.8% in 2017



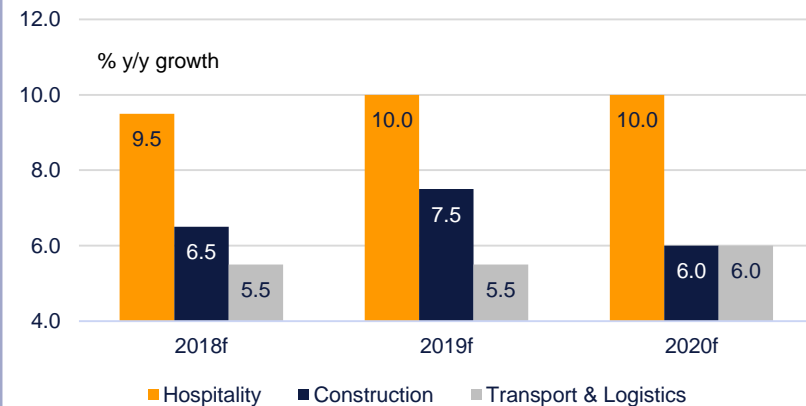
## Sluggish retail trade sector weighed on growth



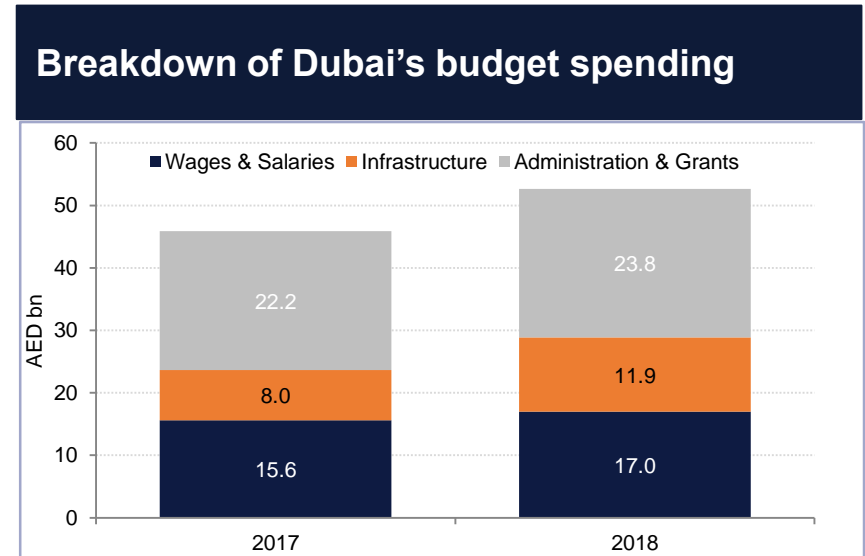
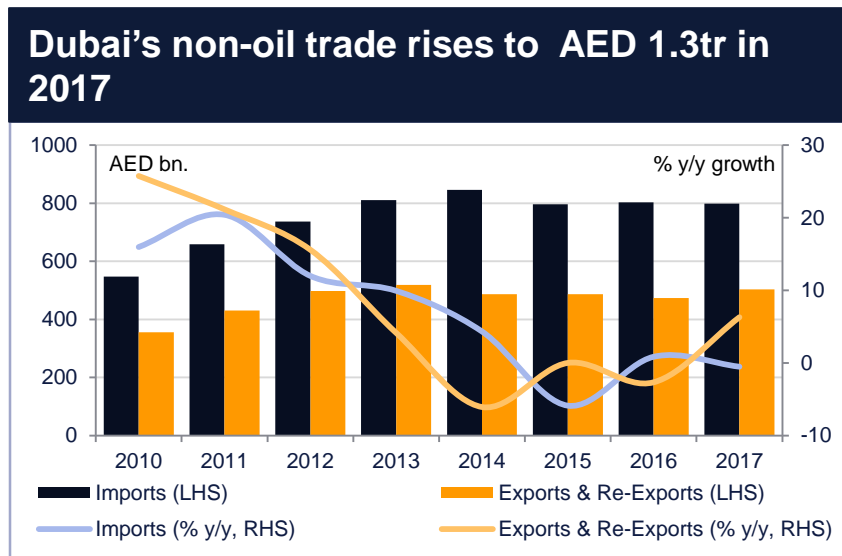
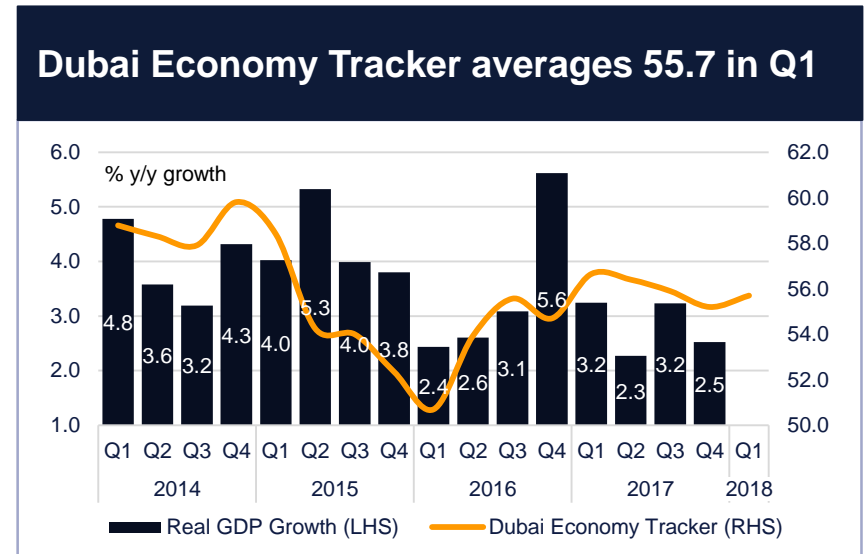
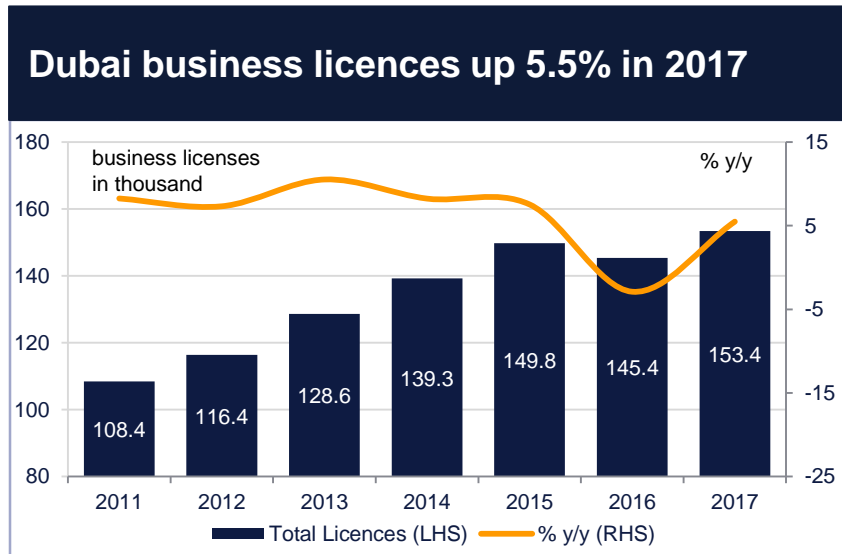
## Transport & storage the biggest contributor to Dubai's growth



## Forecasted fastest growing sectors



# Dubai issues 19,877 new business licences in 2017

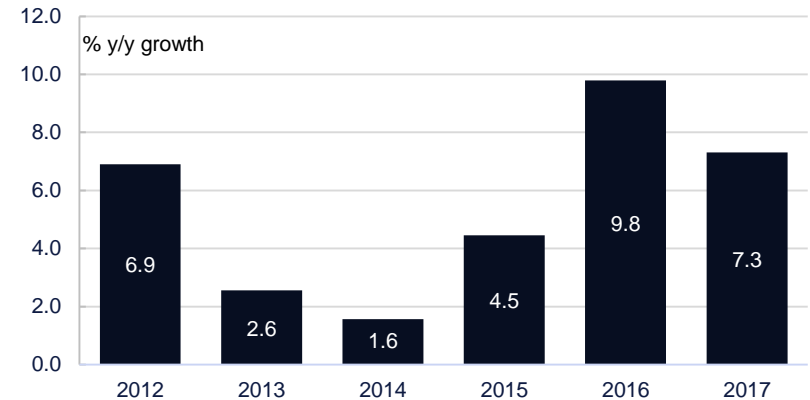


Source: Dubai Statistics, Markit, Emirates NBD Research

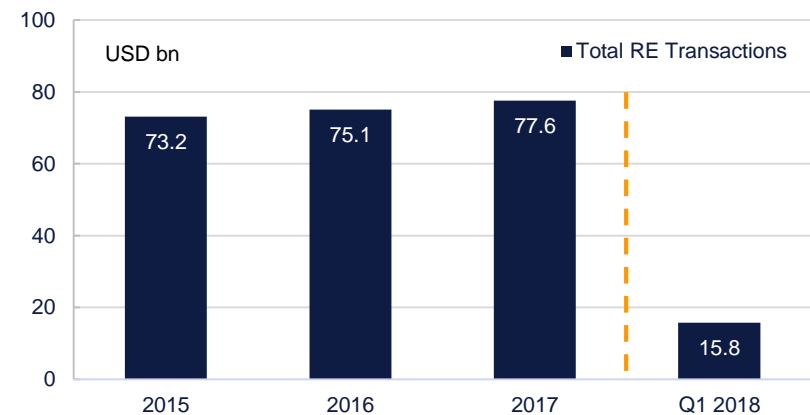
## Highlights

- Residential real estate prices accelerated their decline in Q1 2018, albeit on low volumes. The composite Phidar Advisory price index (80% freehold apartments and 20% freehold villas in selected communities) declined -7.0% y/y in March. The average decline in Q1 2018 was -7.2% y/y compared with -5.4% y/y in Q4 2017. Since the Q2 2014 peak, prices of properties in the sampled freehold communities have declined -30%.
- However, apartments (-6.2% y/y in Q1) fared better than villas (-11.3% y/y) and lower priced units fared better than the more expensive properties. Gross residential rents declined -9.0% y/y for apartments, putting some pressure on yields, while villa rents declined -10.1% y/y in Q1 2018.
- 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.

## Dubai real estate services sector growth

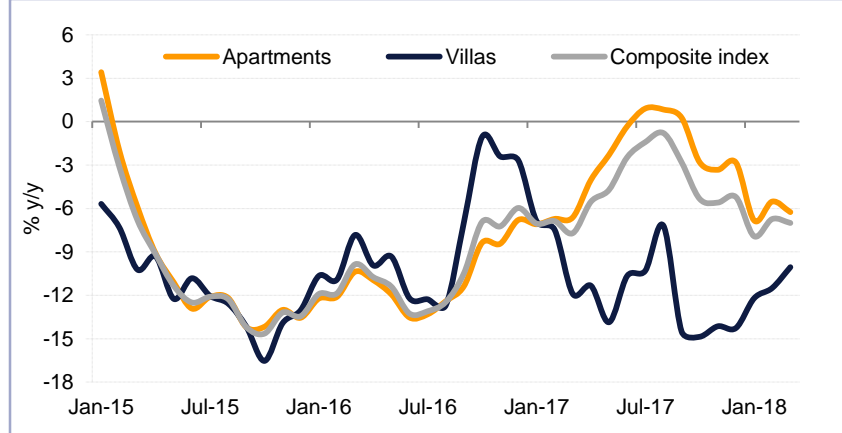


## Dubai records USD 15.8bn real estate transactions in Q1

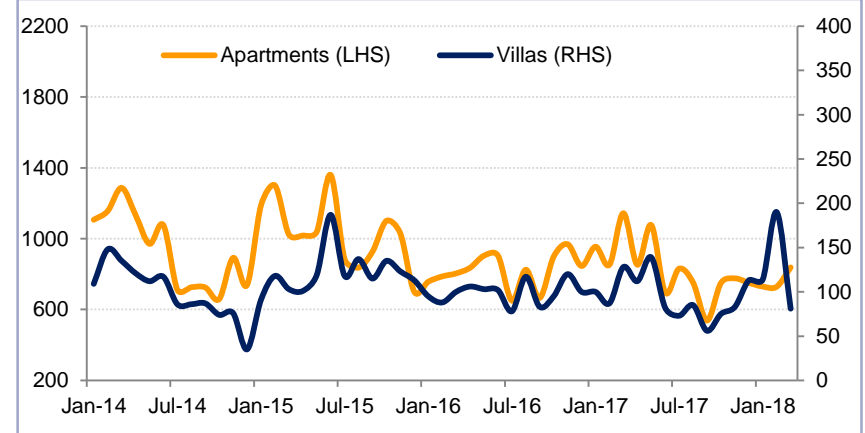


# Residential real estate prices accelerated their decline in Q1 2018

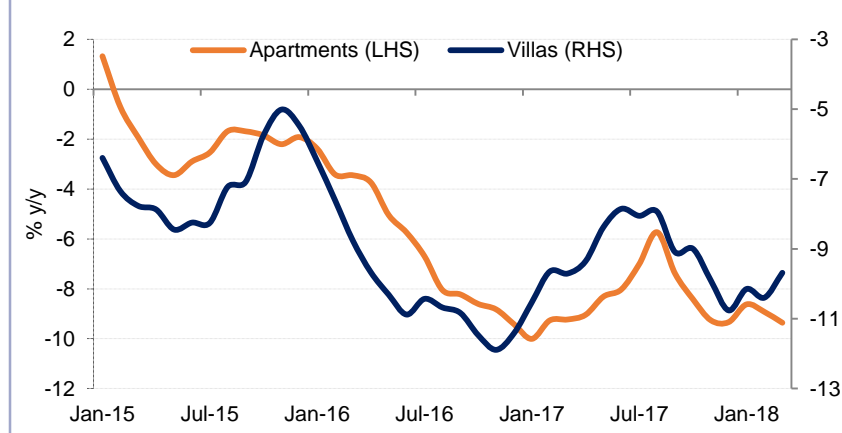
## Dubai residential property prices



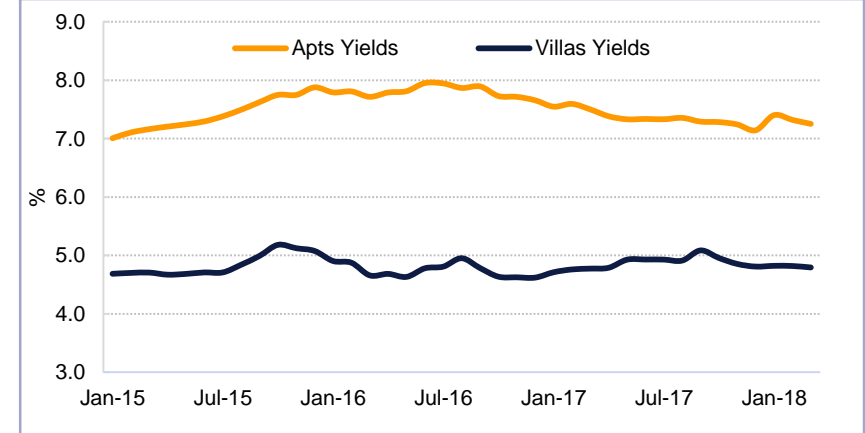
## Volume growth down -20% (whole of Dubai)



## Rents declined at a slower rate in Q1 2018



## While yields remain high



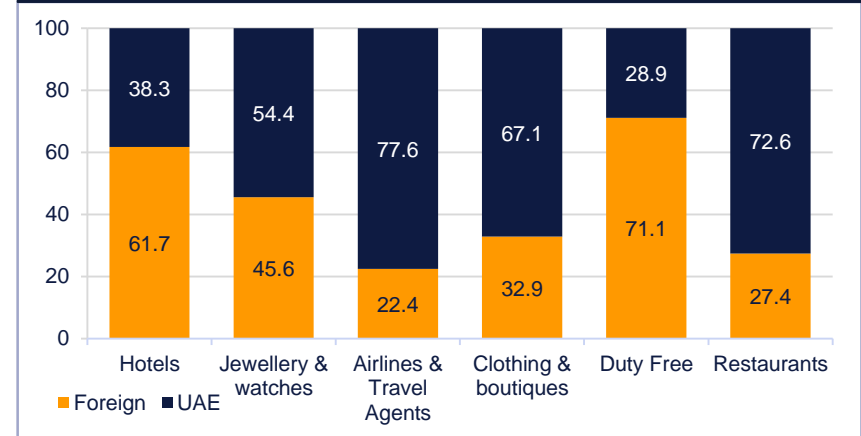
Source: Phidar Advisory, Emirates NBD Research

# UAE: Card spending up 11% in Jan-Apr 2018

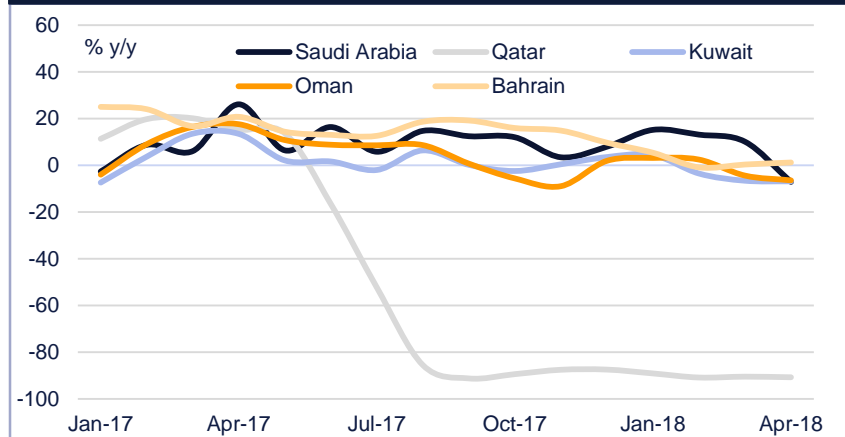
## Top 10 foreign spenders in the UAE

	y/y increase (%)	Jan-Apr 2018 Rank	Jan-Apr 2017 Rank
United States	7.1	1	1
Saudi Arabia	4.6	2	2
United Kingdom	27.4	3	3
Russia	44.8	4	4
China	4.3	5	6
Germany	3.2	6	8
Kuwait	3.0	7	7
India	2.9	8	9
France	2.6	9	11
Switzerland	2.2	10	10

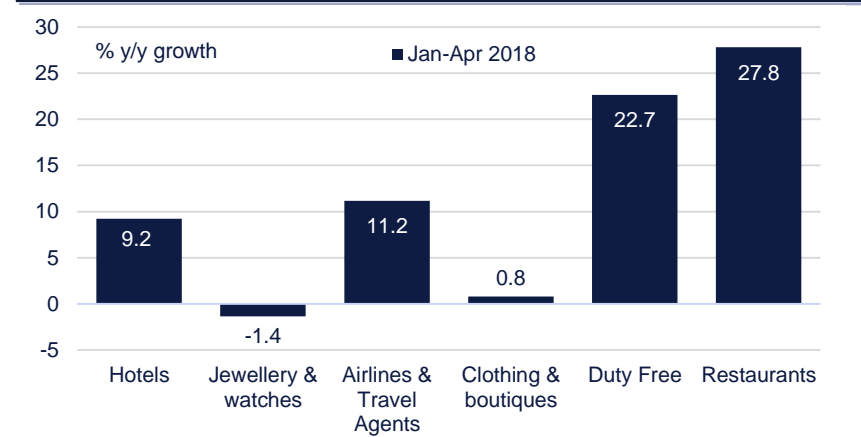
## Domestic vs foreign spending, % of total



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



## Total spending, % y/y growth

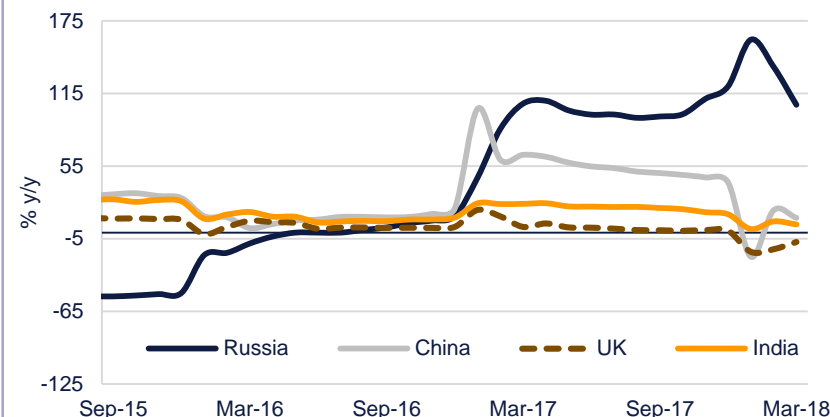


# The number of tourists coming to Dubai reached 4.65mn in Q1 2018

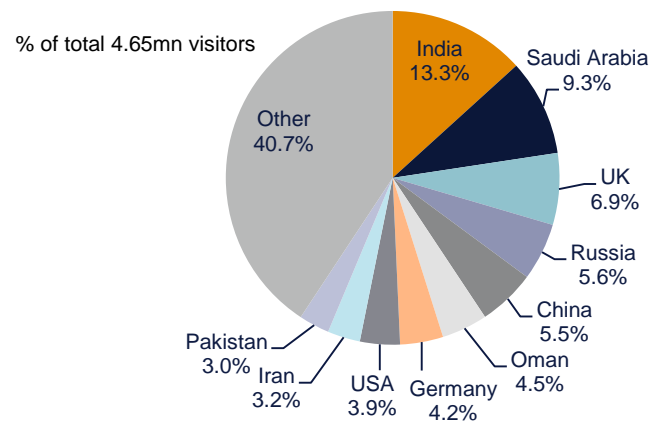
## Highlights

- The travel and tourism sector index of Dubai's Economy Tracker (DET) declined to a four-month low of 55.3 in April 2018, on the back of softer output and new work growth. Encouragingly, employment increased modestly on average after two months of decline in the sector. Firms absorbed higher input costs, as selling prices declined marginally for the second month in a row.
- Overall, businesses in the travel & tourism sector were slightly more optimistic about their prospects in the coming year than they were in February and March.
- 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 4.65mn in Q1 2018, up by 1.8% compared with the same period last year. Western Europe was the lead tourist source for Q1 2018, accounting for 23.0% of the total figure, followed by the GCC (17.0%) and South Asia (17.0%).
- In terms of country specific volumes, India remained Dubai's top source market with 617,000 tourists, an increase of 6.7% y/y. Saudi Arabia ranked second with 434,000 tourists (-1.4% y/y) followed by UK with 323,000 tourists (-7.7%), Russia with 259,000 tourists (105.6% y/y) and China with 258,000 tourists (12.2% y/y).

## Dubai key tourist markets, Q1 2018



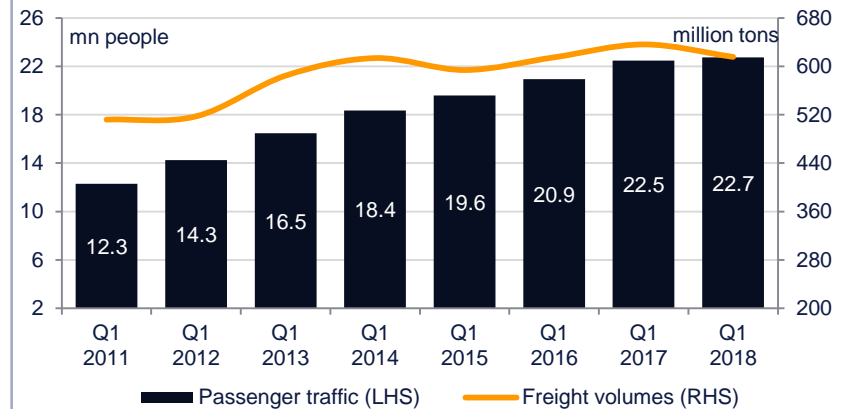
## Top 10 visitors by nationality, Q1 2018



## Highlights

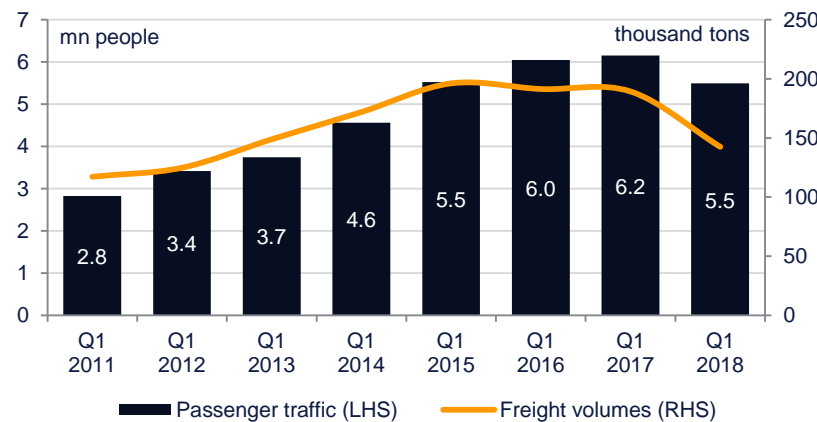
- Passenger traffic at the Dubai International Airport (DXB) rose to 22.7mn in Q1 2018, up 1.1% y/y. Cargo volume was down -3.2% y/y over the same period.
- Dubai's hotel occupancy averaged 85.9% in Q1 2018 slightly down from 86.3% the same period a year ago. Revenue per available room (RevPAR) has broadly stabilized y/y in 2017, following two years of double digit decline.
- The supply of hotel rooms in Dubai increased by 5.0% y/y in March 2018 to 100,232 rooms. The Department of Tourism and Commerce Marketing (DTCM) is targeting 140,000 to 160,000 hotel rooms by the end of the decade.

## DXB passenger traffic up 1.1% in Q1



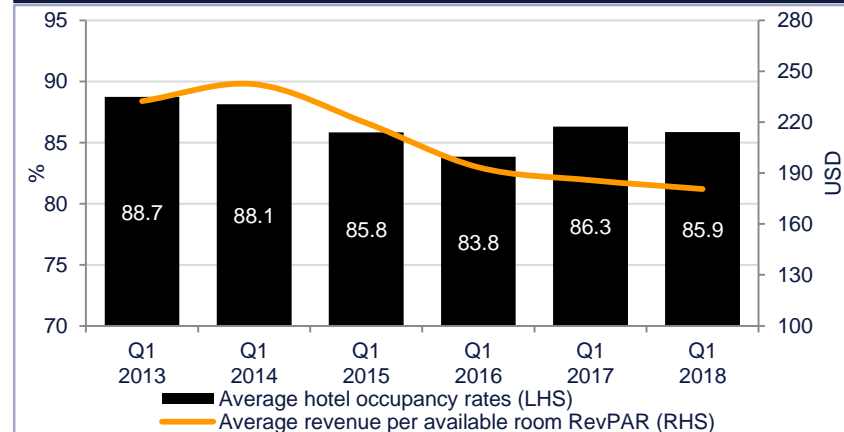
Source: Dubai Airports, Bloomberg, Emirates NBD Research

## Abu Dhabi International Airport (AUH) passenger traffic



Source: STR Global, Bloomberg, Emirates NBD Research

## Dubai occupancy rates remain high in Q1



Source: STR Global, Bloomberg, Emirates NBD Research

## Disclaimer

The material in this presentation is general background information about Emirates NBD's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take in to account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

The information contained here in has been prepared by Emirates NBD. Some of the information relied on by Emirates NBD is obtained from sources believed to be reliable but does not guarantee its accuracy or completeness.

## Forward Looking Statements

It is possible that this presentation could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Emirates NBD undertakes no obligation to revise or update any forward looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.