

Press Release

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Emirates NBD Dubai Economy Tracker™

Dubai non-oil private sector growth slows in December

Dubai, January 16th 2019:

Non-oil private sector growth in Dubai eased in December. Although total activity continued to rise at a strong overall pace, new business increased at the second-slowest rate in over two years and employment remained broadly unchanged. Inflationary pressures remained weak as input costs rose modestly and firms continued to cut their charges.

The seasonally adjusted Emirates NBD Dubai Economy Tracker Index – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – fell from November's 55.3 to 53.7 in December. This was the second-lowest reading in over two years and below the historic average (since 2010) of 55.2, signalling relatively muted non-oil growth. Moreover, the average for the fourth quarter of 2018 (53.8) was the lowest of any quarter since Q1 2016.

All three of the key monitored sectors – construction, wholesale & retail and travel & tourism – registered slower improvements in business conditions in December. Travel & tourism continued to post the weakest overall growth (52.0), followed by construction (53.7) and wholesale & retail (54.2).

A reading of below 50.0 indicates that the non-oil private sector economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change.

The survey covers the Dubai non-oil private sector economy, with additional sector data published for travel & tourism, wholesale & retail and construction.

Commenting on the Emirates NBD Dubai Economy Tracker, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

“The headline Dubai Economy Tracker Index fell to 53.7 in December, from 55.3 the previous month. All three of the individual sectors tracked in the index expanded at a slower pace in December as compared to November, with the construction sector slowing from the particularly strong 57.5 seen last month to 53.7 in the latest print. Travel & tourism remained the underperformer, falling from 52.8 to 52.0, compared to wholesale & retail trade's 54.2.

“Output in the whole of Dubai survey remained solidly expansionary, with over a quarter of respondents seeing greater activity, while nearly a third of firms saw greater new orders, in a positive for future output. The majority also expected future conditions to improve, with only 5.3% expecting a deterioration over the next 12 months.

“The squeeze on firms' margins was less than seen in November as input costs grew at the slowest pace since August, while price discounting also slowed. Only 6.4% of firms reported price

cutting, compared to 16.9% the previous month. Nevertheless, headcount remained flat, with less than 1% reporting increased employment.

“December’s index reading takes the 2018 average to 55.0 – moderately weaker than the 56.0 averaged in 2017 but nevertheless a more robust reading than seen in 2015 and 2016. Our real GDP growth estimate for the year is 2.8%, in line with that recorded in 2017.”

Key Findings

- December Economy Tracker rounds off softest quarter since Q1 2016
- All three key sectors record slower expansions in December
- Weak inflationary pressures at end of 2018

Business activity and employment

Total non-oil private sector output in Dubai rose for the thirty-fourth consecutive month in December. The rate of growth eased since November to the third-weakest in 2018, but was broadly in line with the historic survey average (since 2010). Construction continued to record the sharpest pace of expansion.

December data suggested improving productivity in Dubai as, although output rose strongly, employment was little-changed. This followed a fractional rise in staffing levels during November and declines in both September and October. Moreover, jobs contracted in the latest month in the construction and travel & tourism sectors.

Emirates NBD Dubai Economy Tracker Index™

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

Incoming new work and business activity expectations

Inflows of new business continued to rise in December, but at a slower pace. With the exception of October, growth was the weakest since October 2016. Rates of expansion slowed in all three major sectors monitored, most notably in construction. Meanwhile, the 12-month outlook for business activity dipped to a five-month low in December but remained relatively strong.

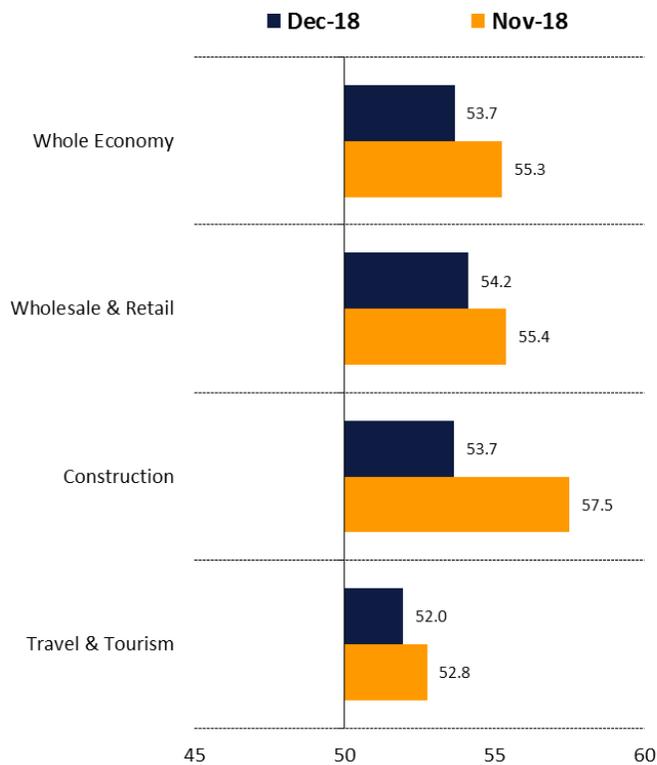
Input costs and average prices charged

Average input prices in the non-oil private sector rose only modestly in December, with the rate of inflation at a four-month low and below the long-run series average. At the sector level, a relatively strong increase in travel & tourism contrasted with a fall in input costs in the wholesale & retail sector.

With costs rising at a subdued overall rate, private sector companies cut their charges for goods & services for the eighth month running in December. The rate of reduction slowed compared with November, however.

Emirates NBD Dubai Economy Tracker Index: Sector summary

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

-Ends-

The next *Dubai Economy Tracker Report* will be published on February 11th 2019 at 08:15 (DUBAI)



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Notes to Editors

The Emirates NBD Dubai Economy Tracker™, produced by IHS Markit, is based on data compiled from monthly replies to questionnaires sent to senior executives in approximately 600 private sector companies, which have been carefully selected to accurately represent the true structure of the Dubai economy, including manufacturing, services, construction and retail.

The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month.

For each of the indicators the 'Economy Tracker report' shows the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Dubai Economy Tracker Index is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction. The Dubai Economy Tracker Index is comparable to the UAE Purchasing Managers' Index.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 30th June 2018, total assets were AED 477.5 Billion, (equivalent to approx. USD 130 Billion). The Group has a significant retail banking franchise in the UAE and is a key participant in the global digital banking industry, with over 90 per cent of all financial transactions and requests conducted outside of its branches. The bank was declared the Most Innovative Financial Services Organization of the Year at the 2017 BAI Global Innovation Awards.

The bank currently has 227 branches and 1065 ATMs and SDMs in the UAE and overseas and a large social media following, being the only bank in the Middle East ranked among the top 20 in the 'Power 100 Social Media Rankings', compiled by The Financial Brand. It is a major player in the UAE corporate and retail banking arena and has strong Islamic Banking, Global Markets & Treasury, Investment Banking, Private Banking, Asset Management and Brokerage operations.

The Group has operations in the UAE, the Kingdom of Saudi Arabia, Egypt, India, Singapore, the United Kingdom and representative offices in China and Indonesia.



The Group is an active participant and supporter of the UAE's main development and community initiatives, in close alignment with the UAE government's strategies, including financial literacy and advocacy for inclusion of People with Disabilities under its #TogetherLimitless platform. Emirates NBD Group is an Official Premier Partner of Expo 2020 Dubai. For more information, please visit: www.emiratesnbd.com

About IHS Markit (www.ihsmarkit.com)

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