

## Press Release

**Under strict embargo until: 08:15 (DUBAI) / 04:15 (UTC), February 11<sup>th</sup> 2018**

# Emirates NBD Dubai Economy Tracker™

*Business conditions improve at strongest pace in five months*

## **Dubai, February 11th, 2018:**

Data for the opening month of 2018 signalled a pick-up in growth in Dubai's non-oil private sector. 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 – rose to 56.0 in January, from December's 14-month low of 54.7. The latest reading indicated the strongest rate of improvement for five months.

By sector, wholesale & retail (index at 56.1) was the best performing category, followed by travel & tourism (55.7) and construction (55.2) respectively. All three categories registered stronger growth than in December.

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 rise in the Dubai Economy Tracker Index signals a strong start to 2018, despite the introduction of VAT putting upward pressure on both input and output prices. The construction sector had a particularly strong month in January, and this supports our view that construction will be a key driver of Dubai's growth this year.”*

## **Key Findings**

- Dubai Economy Tracker Index rises to 56.0 in January, from 54.7 in December
- Strongest employment growth in over two years
- Introduction of VAT leads to fastest input price inflation since October 2011

## **Business activity and employment**

Non-oil private sector companies operating in Dubai reported the fastest growth in **business activity** since July 2017. Moreover, the rate of expansion was stronger than the long-run series

average (since January 2010). At the sector level, construction companies noted the steepest increase in output during the latest survey period, followed closely by wholesale & retail.

**Job creation** in the non-oil private sector was registered for the eleventh consecutive month in January. Moreover, the rate of growth strengthened to the sharpest since November 2015.

### Emirates NBD Dubai Economy Tracker Index™

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

### Incoming new work and business activity expectations

Matching the sequence registered for total activity, the volume of **new business** rose for the twenty-third successive month in January. Unlike the trend for output, however, the rate of growth eased further to the weakest since October 2016.

Despite the ongoing moderation in new business growth, **business activity expectations** remained strongly positive overall during January. The degree of confidence improved for the second month running and was the highest since December 2016. Sentiment was strongest in the construction sector.

### Input costs and average prices charged

January data signalled a sharp increase in **average cost burdens** in the Dubai non-oil private sector economy, widely linked by firms to the introduction of VAT. The rate of input price inflation accelerated markedly to the highest since October 2011. The latest increase extended the current sequence of cost inflation to 23 months. All three sectors monitored registered sharp rates of input price inflation in the latest period.

**Selling prices** in Dubai's non-oil private sector rose at the fastest pace in three years in January, again linked to VAT. There was a record increase in charges in the wholesale & retail sector. Charge inflation in construction almost matched December's record high. In contrast, output prices in the travel & tourism sector were largely unchanged in January compared with one month earlier.

**Emirates NBD Dubai Economy Tracker Index: Sector summary**

**Index: Sector summary**

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

-Ends-

The next *Dubai Economy Tracker Report* will be published on 11<sup>th</sup> March 2018 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 31<sup>st</sup> December 2017, total assets were AED 470.4 Billion, (equivalent to approx. USD 128 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 230 branches and 1040 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, Egypt, the Kingdom of Saudi Arabia, 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 #Together Limitless platform. Emirates NBD Group is an official premier partner of EXPO 2020. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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