



Press Release

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Emirates NBD Dubai Economy Tracker™

Business conditions improve at fastest pace in 13 months

Dubai, June 11th, 2018:

Latest survey data signalled a sharp and accelerated improvement in the health of Dubai's non-oil private sector. Output and new orders both expanded at the strongest rates since early 2015, with increases in the travel & tourism and wholesale & retail sectors key drivers of May's improvement. Reflective of strong business conditions in the sector, positive sentiment was at its highest since the series began in April 2012.

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 – scored 57.6, up from 53.9 in April. The latest figure signalled a sharp improvement that was the strongest recorded since April 2017.

Wholesale & retail led the upturn on a sector basis, with an index reading of 58.3, closely followed by travel & tourism (57.3). At 54.6, down marginally from 54.9 in April, construction was the only sector to record softer growth in May.

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 sharp rise in the Dubai Economy Tracker index supports our view that growth in Dubai will be faster this year relative to 2017, but the headline reading masks the squeeze on profit margins which is also evident in the survey data. Firms, particularly in the wholesale & retail sector, cut prices aggressively to boost their output and new orders last month.”

Key Findings

- Economy Tracker Index rebounds in May...
- ...on the back of sharp and accelerated rates of output and new order growth
- Business confidence hits a series-record high

Business activity and employment

Output across Dubai's non-oil private sector increased at the fastest pace in 40 months during May. Business activity has risen continuously on a monthly basis since March 2016. According to anecdotal evidence, a sharp expansion in new order books which in turn was linked to promotional activities and strong client demand, led to rising output requirements in the sector.

Despite steep increases in activity and new work, firms **hired additional staff** at only a fractional pace in May. Many respondents indicated that employment growth was restricted due to efforts to contain costs.

Emirates NBD Dubai Economy Tracker Index™

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

Incoming new work and business activity expectations

Continuing the current phase of growth that began in March 2016, latest data signalled a further improvement in **new order books**. Furthermore, the rate of growth accelerated to a 39-month high amid successful promotional activities and robust demand conditions, according to panel members.

Positive sentiment towards **future growth prospects** reached a series-record high in May. New project wins, Expo 2020 and forecasts of robust demand underpinned business confidence.

Input costs and average prices charged

Average cost burdens faced by non-oil private sector businesses continued to rise in May. That said, the rate of input price inflation eased from April and was moderate overall.

Increased promotional activities alongside softer input cost inflation led firms to reduce their **output charges**, albeit at a modest pace. Notably, reports of greater competition in the construction sector led firms to reduce selling prices at a solid pace, according to anecdotal evidence.

Emirates NBD Dubai Economy Tracker Index: Sector summary

Index: Sector summary

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

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The next *Dubai Economy Tracker Report* will be published on 9th July 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 31st 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

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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