

Press Release

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Emirates NBD Dubai Economy Tracker™

Marked improvement in business conditions registered in March

Dubai, April 9th, 2018:

March data signalled an improvement in business conditions across Dubai's non-oil private sector, with sharp growth in both output and new work contributing to the latest expansion. That said, employment slipped into contraction for the first time since February last year. 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 – was at 55.3, down from 55.8 in February. Scoring well above the neutral 50.0 threshold, the figure indicated a marked expansion that was in line with the historical average, albeit the lowest for three months.

Growth was recorded across all three monitored sub-sectors in March, led by travel & tourism (56.7), followed by wholesale & retail (56.3) and construction (53.2).

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, **Daniel Richards, MENA Economist at Emirates NBD**, said:

“While the Dubai Economy Tracker fell to a four-month low of 55.3 in March, it remained firmly in expansionary territory, with travel and tourism the outperformer. That being said, firms continue to make price discounts in order to bolster demand. Lower input costs for the first time in over two years will have helped, but squeezed margins appear to be taking their toll on employment, which fell below 50.0 for the first time since February 2017. Nevertheless, we anticipate faster growth in the Dubai economy this year, bolstered by ongoing infrastructure projects and greater government spending.”

Key Findings

- Business conditions improve at marked rate, led by the travel & tourism sector
- Output and new work continue to improve at sharp pace
- Both input and output prices fall, linked to promotional discounting

Business activity and employment

Non-oil private sector firms noted a sharp level of **output** growth during March, albeit at a slower rate than that seen in the previous two surveys. According to anecdotal evidence, strong inflows of new orders were linked to rising business activity.

Job shedding returned to the non-oil private sector for the first time in 13 months during March. The finding followed unchanged employment levels in the preceding survey period. The rate of contraction was marginal overall, however.

Emirates NBD Dubai Economy Tracker Index™

Seasonally adjusted, 50 = no-change



Sources: Emirates NBD, IHS Markit

Incoming new work and business activity expectations

Successful promotional strategies helped firms continue to generate strong growth of **new work** in March. The rate of expansion was broadly in line with the average seen over the last two years during the latest survey. Furthermore, the most recent improvement in new work extended the current sequence of growth to 25 months.

Despite easing to a seven-month low in March, **business confidence** towards future growth prospects remained strongly positive overall. Optimism was underpinned by new project wins and an expected upturn in economic conditions.

Input costs and average prices charged

In terms of inflation, **average cost burdens** faced by non-oil private sector firms fell for the first time since February 2016. Panel respondents frequently reported price discounting at suppliers. That said, the rate of decline was fractional overall.

Mirroring the trend seen for input costs, **prices charged** dropped at a moderate pace in March, thereby ending a three-month sequence of inflation. Businesses in Dubai noted that output charges had been reduced to help stimulate client demand.

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 May 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

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