

Dubai's big spenders tighten purse strings

DUBAI: Boasting the priciest designer stores, no expense was spared when Dubai built the swanky Gate Avenue mall, positioned to serve affluent bankers who always had money to burn.

But the downtown mall gleaming with marble in the Middle East's biggest financial centre was largely empty at peak shopping time early on Sunday evening and that is no longer an unusual sight.

The retail economy of one of the world's leading shopping capitals has suffered from lower oil and property prices.

Even at popular mega malls such as the Mall of the Emirates, home to an indoor ski park, and the Dubai Mall, known for its dancing fountains, there are more empty shops and more frequent turnover of tenants. Sales signs abound.

"Consumers are much more cost-conscious," said Alain Bejjani, CEO of Majid Al Futtaim, which operates six malls in Dubai.

The introduction of a 5 per cent value-added tax last year and weaker consumer confidence in an economy which grew 1.94pc in 2018, the slowest since 2009, have hurt retailers.

Patrick Chalhoub, CEO of Dubai's Chalhoub Group which has joint ventures with luxury brands such as Louis Vuitton, Dior and Swarovski, said the firm closed 30pc more stores than it opened in 2018 in the United Arab Emirates.

"People have less disposable income," he said.

In June, wholesalers and retailers cut prices for the fourteenth successive month, according to Emirates NBD Dubai economy tracker. Sales of cars, gold jewellery and electronics in particular have slowed.

The wholesale and retail sector is the single biggest contributor to Dubai's economy. It contributed 26.4pc of gross domestic product in 2018 but that was the lowest since the 2009 financial crisis, figures from Dubai Statistics Centre show.

Dubai's Department of Economic Development (DED) said there were several government initiatives to spur growth, including the easing of visa restrictions and accelerated spending on infrastructure projects.

"Looking ahead, we anticipate the sector to grow in real terms at 1.9pc this year, and at 4.5pc and 2.4pc in 2020 and 2021, respectively," the DED said.

Job loss fears

A survey by consultancy McKinsey in May showed that 80pc of respondents in the UAE, where expatriates make up the majority of the population, are worried about job losses and over 40pc said they are cutting spending and eyeing prices.

“It’s getting harder to exist on a mid-level income,” said Matthew Lewis, Partner for Middle East & Africa, at Boyden talent recruitment agency.

“Where people used to have excess cash which they would send home or spend in the market, now they’re finding they’re breaking even.” Employment in the UAE fell 0.9pc in 2018, according to central bank data. Inflation is down this year but the cost of living remains high due to a decline in benefits and pay.

“You hear more of firing and less of hiring,” said Paul Gomes, a 20-year old UAE resident, out of work for over six months after the publishing firm that employed him folded.

Reuters