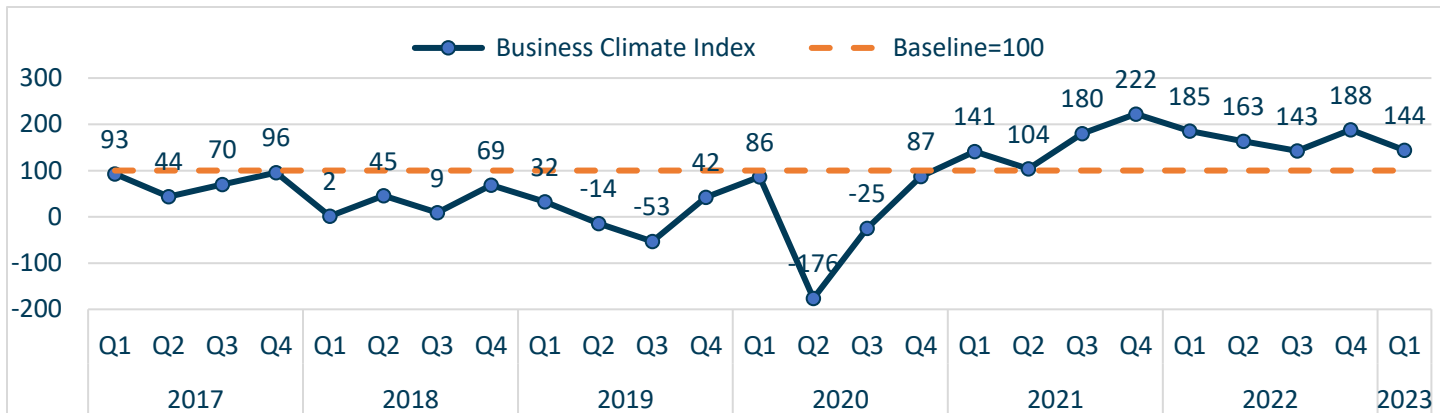


# Dubai Chambers Business Climate Index in 2023-Q1

Figure 1: Dubai Chambers Business Climate Index



Source: Dubai Chambers Quarterly Business Survey

The Dubai Chambers Business Climate Index (BCI) is an early diagnosis tool of Business Climate based on expectations for the next quarter. The index is a useful tool for assessing turning points in business activity in Dubai, and the possible underlying factors behind such turning points. The data is collected from a long-running Quarterly Business Survey conducted amongst business leaders across all economic sectors in Dubai.

The basepoint of the index is the average of *Net Expectation Scores* (NES) for business confidence and business conditions between 2011 and 2016<sup>1</sup>. Index above 100 suggest an expected improvement of business climate for the next quarter, while below 100 suggests a deterioration in the business climate.

## Expectations for General Business Climate

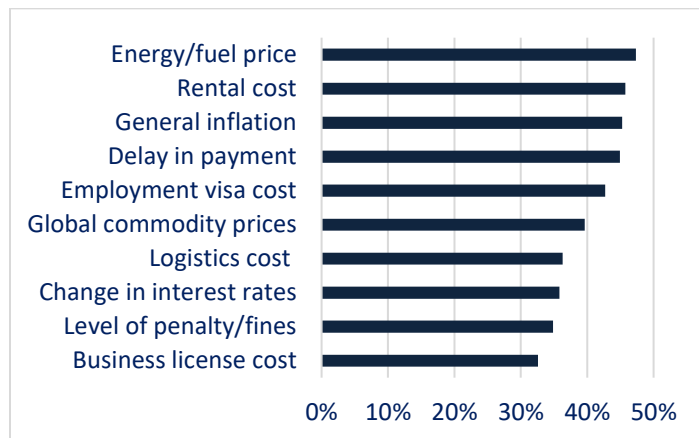
The current Quarterly Business Survey was conducted at the end of the fourth quarter of 2022 and based on feedback from 623 CEO/Managers of companies based in Dubai. The results show an improvement in the business climate index which reached 144 points in 2023-Q1, but the index is slightly lower than the previous quarter (i.e., 2022-Q4). The slight decrease is mainly due to the high-operational cost, global inflation concerns and high fuel price; however, the index is still above 100, which indicates a business climate improvement. Furthermore, 56% of the respondents expect their sales to be higher in 2023-Q1 relative to 2022-Q4.

## Factors which Impacted Dubai Businesses

Business leaders also highlighted some domestic and international factors impeding their businesses during the fourth quarter of 2022. 47% of the respondents cited a negative impact of fuel/energy prices on their businesses in 2022-Q4, but it is lower than previous quarter's results (55%). Companies also mentioned negative impact of several operational related factors, such as rental cost, logistics cost and business license cost. Among the international factors the most cited factors were global commodity prices (40%) and change in interest rates

(36%). Additionally, 43% of the respondents mentioned a negative impact of high employment visa costs on their businesses. The new UAE jobseeker visa regulation will attract many talents to Dubai and companies may reduce recruitment costs by looking for skilled labor within the country (Figure 2). The analyses also identified new business risks, such as growing competition, challenges in finding skilled Emirati employee and global slowdown, that will impact companies in 2023-Q1.

Figure 2: Factors negatively impacted Dubai businesses in 2022-Q4 (% of total respondents).



Source: Dubai Chambers Quarterly Business Survey

Companies also mentioned factors that positively impacted their businesses in 2022-Q4. The most cited positive factor was domestic demand mentioned by 48% of the respondents, followed by FIFA World Cup in Qatar (41%), access to qualified labor (34%), and availability of raw materials (33%).

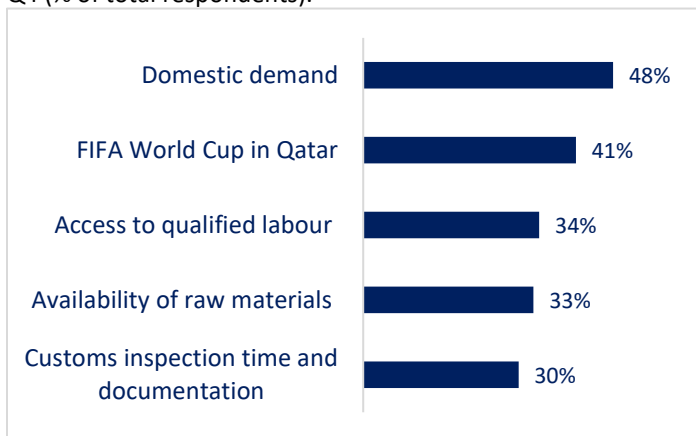
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<sup>1</sup> The NES is a measure discounting the percentage of respondents scoring "Worse" against those scoring "Better" for their expectations. Starting from Q1-

2023 we merged Business Condition and Business Confidence index into a one Business Climate Index.

# Dubai Chambers Business Climate Index in 2023-Q1

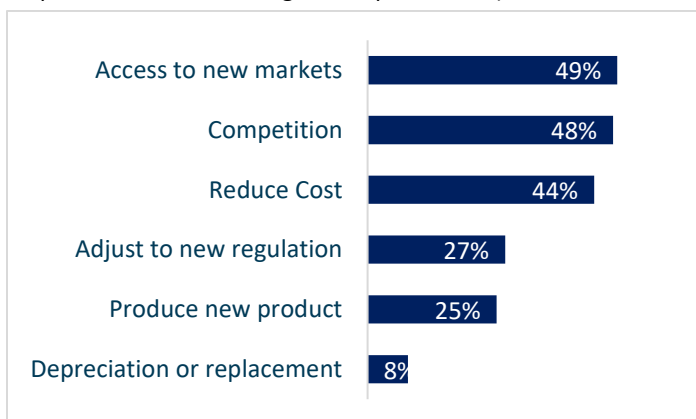
**Figure 3:** Factors positively impacted Dubai businesses in 2022-Q4 (% of total respondents).



Source: Dubai Chambers Quarterly Business Survey

Dubai continues to be a regional leader in digital adoption in the Middle East. According to survey, 39% of the respondents applied digital technology in their businesses in 2022-Q4, of which the top 3 incentives were access to new markets (49%), competition (48%) and reduce cost (44%) (Figure 4).

**Figure 4:** Incentives for digital adoption in 2022-Q4 (% of respondents who cited digital adoption in Q4).



Source: Dubai Chambers Quarterly Business Survey

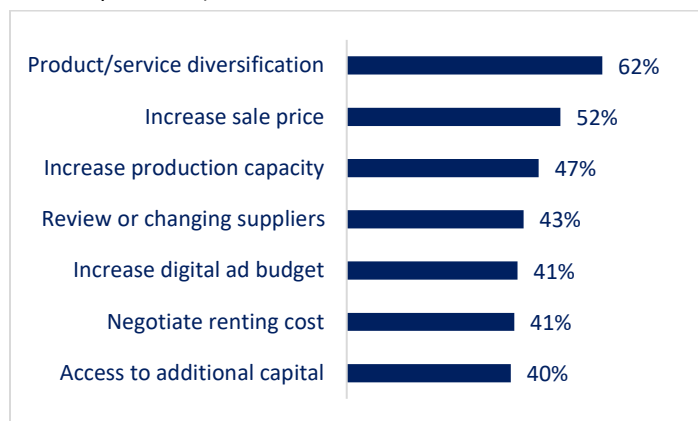
E-commerce is developing at a higher speed in Dubai and bringing benefits to all stakeholders involved. However, there are still large opportunities to grow e-commerce in Dubai.

According to the survey results, 52% (324 respondents) of the companies mentioned that e-commerce contributes to their total sales. 28% of the respondents indicated that e-commerce contributes to their sales in the range of 0.1%-10%, while 20% mentioned the contribution lies in the range of 11%-60%.

## Expected Business Actions

62% of the respondents plan to apply product or service diversification in 2023-Q1. Moreover, 52% of the respondents plan to increase their sales price and 47% plan to increase their production capacity. Moreover, 43% of the companies plan to review or change suppliers in Q1. 41% are willing to increase their digital advertisement budget and negotiate renting cost in the coming quarter (Figure 5).

**Figure 5:** Expected business actions in Dubai in 2023-Q1 (% of total respondents).



Source: Dubai Chambers Quarterly Business Survey

Among the digital services, companies cited that they plan to adopt digital payment and digital marketing services, which were cited by 35% of the respondents. In addition, 26% of the businesses are willing to adopt e-commerce services in their businesses in Q1. This may create new business opportunities for local and international digital companies that provide e-commerce services (e.g., web development, design) and related startups (e.g., cybersecurity, fintech, online delivery, etc.).

The survey results also revealed that 45% of the businesses plan to diversify their businesses to other countries in Q1, with Saudi Arabia being on top with a 7% share. Furthermore, the top 3 aspects they need for expansion include market size (36%), access to finance (33%) and business setup (29%).

## Recommendations for Businesses

Improving business climate in Dubai is consistent with the government's strategy and will continue boosting the economy in the quarter ahead. The survey results revealed that business climate index is well above the baseline index of 100; this will impact private investment in Dubai positively. The results of the survey support this argument, where 62% of companies mentioned that they plan to apply product or service diversification in 2023-Q1 and increase production capacity (47%) as well as digital advertisement budget (41%). Demand for e-commerce services is also expected to grow since 26% of the respondents mentioned that they will adopt this service in Q1.

40% of the respondents mentioned that an increase in global commodity prices affected their businesses negatively, therefore companies are planning to review or change their suppliers, which was mentioned by 43% of the respondents. Dubai companies mainly boosted their sales by giving credit to consumers in order to increase their competitiveness in the market, and to encourage high consumption. However, 45% of businesses encountered payment defaults in 2022-Q4, therefore, if not well managed, sales based on credit might lead to higher risks of consumers' defaults. Therefore, utilization of customers' master data history and credit rating to check customers creditworthiness is recommended.