

STATE OF THE UAE RETAIL ECONOMY



A perspective based on 2020 and H1 2021
market data and consumer behaviour

Table of Contents

Foreword.....	3
The Headlines.....	5
Global And Regional Overview.....	7
UAE Retail Economy Overview.....	10
Quarter On Quarter Comparison.....	14
The Rise Of Online Sales And Contactless Payments.....	19
Physical Retail.....	24
In-Mall Shopping And Consumer Behaviour.....	26
Areas Of Spend.....	29
Tourism.....	32
Residential Property.....	36
Conclusion.....	39
Methodology And Sources.....	41
Endnotes.....	43

Foreword

As we start the second half of 2021 we are able to not only look back to gain a truer perspective of the disruption brought about by last year's pandemic; but also to look ahead and understand the extent of its impact on our day-to-day lives. Our earlier predictions continue to hold true. What we see is a sustained acceleration of existing trends, underpinned by what can be characterised as 'cautious optimism' on the part of UAE-based consumers.

While our societies and communities continue to take steps necessary to bring the spread of COVID under control, within our economies, green shoots of recovery are starting to emerge. Accompanying those early steps towards a return to sustainable growth is a sense of tentative hope as billions of people around the globe embrace the possibility of a more open and relaxed way of life.

These achievements are due, in no small part, to the tremendous work of researchers, clinicians and world leaders who have enabled the creation and rollout of life-changing vaccines in record time.

As inoculation rates climb and subsequently movement restrictions begin to ease, we are seeing a correlating positive impact on consumer confidence in several areas.

Our position as a market-leader across a number of industries in our region enables Majid Al Futtaim to track and measure the extent of that sentiment.



It is our hope that in sharing these quarterly insight reports, we are able to create a dialogue based on insights and data to aid our collective communities in setting out future paths to success in a post-pandemic world.

Alain Bejjani

Chief Executive Officer
Majid Al Futtaim - Holding

The Headlines

- **The recovery detected in Q1 2021 appears to be sustaining itself.**

The far-reaching rollout of vaccines is playing an important part in this achievement.

While it might not have touched every sector and every category (leisure and entertainment, fashion, hyper/supermarkets and retail general categories), **a consistent upward trend can be detected** across much of the UAE retail economy.

- Some sectors in particular have revealed **strong, pent-up demand** that has been unleashed following the relaxation of a number of restrictions. This is especially true in the residential property sector (for example, between May 2020 and May 2021, the total number of **residential property transactions in Dubai increased by more than 215%**)⁷.
- Our data, tracking card spend at POS and mall footfall traffic, indicate the UAE retail economy is bordering on 2019 levels when compared to the same month in that year – even surpassing those levels in May 2021, with **a growth in consumer spending of 0.2%**.
- In Q2 2021, **the UAE Retail Economy experienced an increase of 4% in consumer spending** compared to Q1 2021 - while the corresponding quarterly growth in 2019 only saw an increase of 3%. When comparing the first half of 2021 with the first half of pre-pandemic 2019, there has been a dip of just 3% in consumer spending. Much of that decline was borne by sectors that had been hit hardest by lockdowns and restrictions (leisure and entertainment, fashion, hyper/supermarkets).
- Setting the hardest hit sectors aside, there was a modest, yet noteworthy increase of 0.3% between H1 2019 and H1 2021 in retail general categories, hinting at the prospect of **a return to pre-COVID levels of retail activity before the end of this year.**
- The booming e-commerce sector shows no sign of slowing down. Overall **e-commerce sales in the UAE Retail Economy for H1 2021 increased by 17%** when compared to H1 2020.
- **Confidence among shoppers is on the rise.** Majd Al Futtaim's most recent Happiness Lab survey showed over half of research respondents feel comfortable going to the mall with their children.
- **The composition of tourism is evolving:** fewer tourists are coming to the UAE but they stay longer and spend more, with the average length of stay increasing from 3.5 nights in 2019 to 5 nights in 2021, coupled with an increased spend.

Global and Regional Overview



In our first State of the UAE Retail Economy report, published earlier this year, we noted how consumer-facing businesses in the UAE had proven themselves to be more resilient than hoped in the face of ongoing upheaval and challenging circumstances.

Now, around the world, not only are reports highlighting economic that growth is continuing to recover, but **Oxford Economics has even gone so far as to state it expects 2021 and 2022 to be stronger than originally forecast**¹.

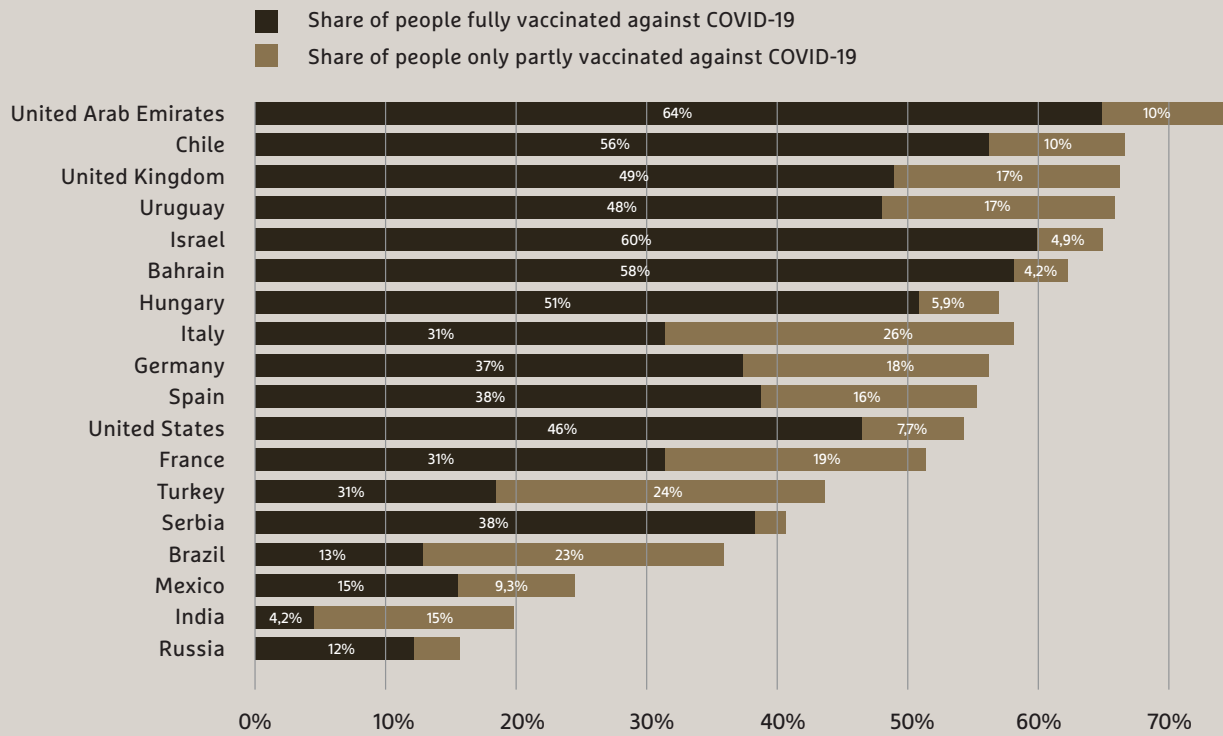
Trade and capital are flowing more freely, and the confidence we detected among consumers in our last report continues to gather momentum. An indication of the extent of the recovery can be seen in the Purchasing Managers' Index (PMI) data² – a universally acknowledged measure of confidence in future business conditions. The PMI for global **manufacturing reached a level of 55.5 in June 2021, inching steadily up from the 53.6 of January 2021**. The corresponding figure for the global service sector stood at 57.5 in June 2021, up from 51.6 in January.

The progress made by global vaccination programmes has made a significant contribution to that return of confidence – in both business and people's personal lives.

Of the 12 countries to have vaccinated more than half their population, the **UAE stands out as one of the global success stories**³. This accomplishment is playing an integral part in the return of confidence to both the UAE’s retail economy, and the country’s economy as a whole.

Share of people vaccinated against COVID-19

This data is only available for countries that report doses administered by first and second doses.



Source: <https://ourworldindata.org/covid-vaccinations>

(Dec 27, 2020-Jun 30, 2021)

The robust, well-organised and sweeping National Vaccination Programme has not only served to protect the health and well-being of its residents; it is also a significant contributing factor in the UAE being regarded amongst the most resilient countries in the Middle East. This, in turn, is **helping to fuel the recovery** across the county’s retail economy.

UAE Retail Economy Overview

H1 2021 vs. H1 2019



At first glance, the UAE retail economy **appears to be regaining some of the growth** and momentum that was, understandably, lost to the pandemic, although **consumer spending in certain areas** (including hyper/supermarkets, fashion, leisure and entertainment, and retail general categories) **recorded a 3% decline** in the first half of 2021 compared with the same period in 2019.⁸

Digging deeper into the data reveals nuances that might otherwise go unnoticed. **The majority of that decline has been felt in two areas: leisure and entertainment, and hyper/supermarkets.** With regards to the latter, this is a natural outcome given the comparison timeframe would have been impacted as a result of consumer behaviour changes. However, for the leisure and entertainment sector, the continuation of capacity restrictions and the apprehension of certain consumers continue to impact recovery.

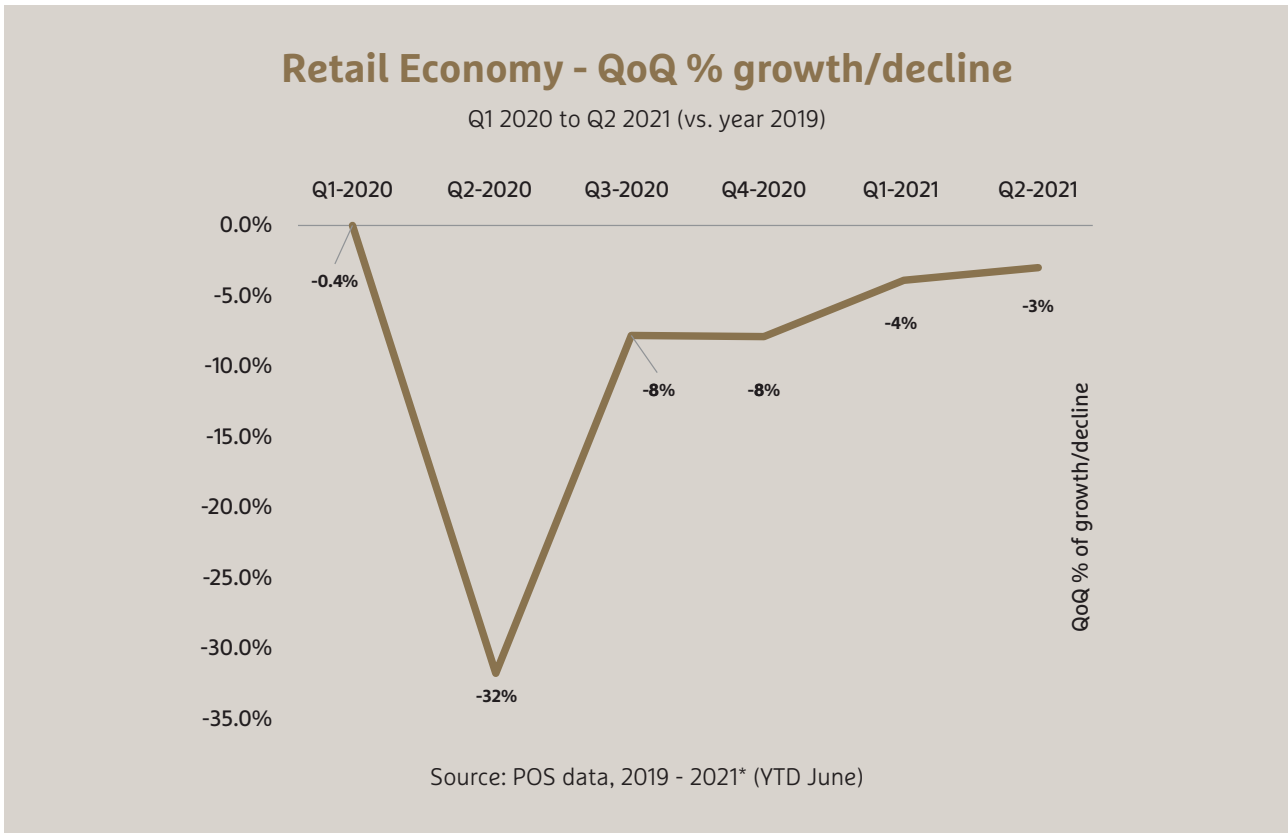


That said, one noteworthy exception can be found within cinemas, where in May the release of previously delayed content (such as Fast & Furious 9, Godzilla vs Kong and Cruella) translated to strong growth when compared to 2020.

Looking at **the rest of the retail general categories** (including food and beverage, electronics, home furnishings, hotels) we can see a modest, yet noteworthy **increase of 0.3%** between the pre-pandemic H1 2019 and H1 2021.⁸ This rise hints at the very **real prospect of a return to pre-COVID levels** of retail activity before the end of this year.

Majid Al Futtaim data, which combines POS data from multiple sources in the UAE along with deeper POS and mall footfall data across our assets, shows that the **UAE retail economy** has been bordering on its 2019 levels each month and even **surpassed 2019 levels** of the same month in May 2021, with a growth in **consumer spending of 0.2%**.⁸ This glimmer of growth was driven by the solid performance of retail general categories and leisure and entertainment categories.

Naturally, growth within the retail general categories is not homogeneous. There are always seasonal variations in the performance of different categories, added to which are changes in shopping behaviour – which we will look at shortly – that are affecting the spend in certain areas.



In an era of remote working, **home furnishings, books and stationery items** experienced a growth of **18% and 46%** respectively for H1 2021 compared to H1 2019.⁸ There is an element of the to-be-expected about this, as for many people, remote working has meant buying new furniture, equipment, and consumables for their home office setup.

By contrast, the widespread lockdowns limited shoppers' access to what were once key retail destinations. **Spending on leisure and entertainment declined by 51%** in H1 2021 compared to H1 2019, reflecting the effect of restrictions during the pandemic months. Elsewhere, **fashion sales were down 4%** for the same period, possibly because people were buying fewer items when they were living under lockdown conditions. For hyper/supermarkets, there was a **slight dip (-2%)** for the period, which again hints at the effect of restricted mobility and shoppers' desire to stay away from other people where possible, particularly in the pre-vaccine period.⁸

Quarter on Quarter Comparison

Q2 2021 vs Q1 2021; Q2 2021 vs Q2 2019



During the first three months of 2021, there were **early signs that confidence was returning** to the retail economy. The second quarter of 2021 has seen a **continuation of that cautious optimism** and encouraging signs that it is growing stronger. However, this economic recovery isn't linear, and we have noticed ups and downs of varying magnitude every month since the start of the year.

Across multiple sectors and categories, consumer behaviour is changing – returning to something approaching a form of pre-pandemic normality, although continuing to deviate from pre-COVID-19 patterns.

According to our POS data,⁸ the retail economy in Q2 2021 **witnessed an increase of 4% in consumer spending** compared to Q1 2021, while the corresponding quarterly growth in 2019 only saw an increase of 3%.

This suggests 2021 is performing a little stronger than 2019. Perhaps the one percentage point difference looks modest on paper; however, it serves to remind us that cautious optimism is in the air.

When broken down further, a comparison of the second quarters of 2019 and 2021 reveals a **3% fall in some areas of spending**. In Q2 2019, people were spending more on **fashion than they were in Q2 2021 – down by 5%**⁸. But given the understandable reluctance to buy fashion items when there are fewer opportunities to leave home, the fall can be attributed to lockdown and may turn out to be circumstantial. It is also possible that some shoppers simply prefer to buy clothing, shoes, and accessories when they can physically handle the goods and garments in question – in store.

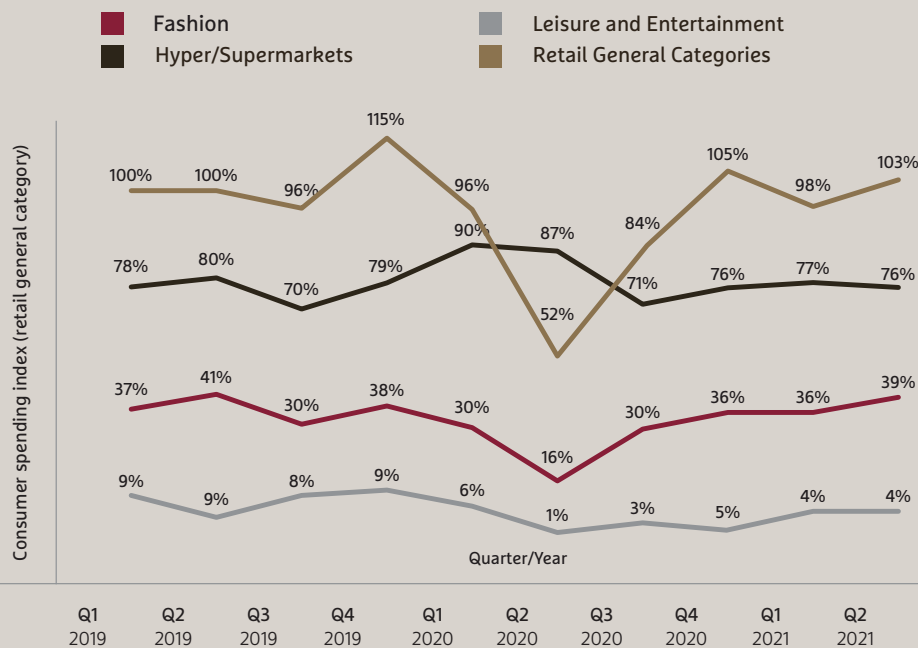
When examining the quarterly trend in 2021, Q2 2021 vs Q1 2021 spending in fashion has increased by 10%, which is very similar to the pattern witnessed in 2019 (+10%).⁸

Other retail general categories (such as hotels, food and beverage, perfumes, and cosmetics) witnessed an **increase in spending of 5%** in Q2 2021 compared to Q1 2021. However, there was a 4% decline in Q2 2021 compared to Q2 2019.⁸

Consumer spending in **hyper/supermarkets** remained **almost flat** (-1%) in Q2 2021 compared to Q1 2021, similar quarter comparison in 2019 witnessed an increase by +3%. Q2 2021 vs Q2 2019 declined by 4%.⁸

Consumer Spending Index - Retail Economy

(2019 - 2021*)



Source: POS data, 2019 – 2021*(YTD June)

POS data sales evolution adjusted to a base 100 of retail general in Q1 2019



At the start of 2019, retail general categories are shown as 100% – setting the base for the period the graph addresses.

While spend in hyper/supermarkets was 22% lower than retail general categories, as indicated by its index of 78% in the graph above, more broadly the **category has remained buoyant** throughout the period of 2019, 2020 and into the first two quarters of 2021. Sales reached a high of 90% in early 2020 before settling almost back where it started, on 76% overall.

Elsewhere, the **effects of the pandemic are vividly illustrated by the dramatic collapse** in May 2020, when retail general categories had fallen by almost half, to 52% of the January 2019 level. At that point, fashion had dropped to just 16% of retail general categories, well down on the 37% at the start of the graph's timeline – recovering to 39% in the last quarter.

Majid Al Futtaim's Happiness Lab⁴ survey provides insight into people's attitudes and opinions, and as such can add a useful layer to the POS data, delivering a more rounded view of how shoppers perceive the evolving situation.

The Happiness Lab⁴ found that just **17% of people in the UAE continue to regard COVID-19 as a threat** – a fall of 11 percentage points compared with data from the previous quarter. For context, **back in March 2020, when the pandemic was first declared, 49% of respondents to a Happiness Lab survey⁴ at the time said they believed it was a threat to the UAE.**

In June 2020, 38% of people told the Happiness Lab⁴ they believed the economic situation in the UAE to be good. For the first quarter of 2021, that had climbed to 71%. When considering this in the context of an analysis of spending patterns derived from our POS data, **there is reason to believe that the UAE is regaining its economic strength.**

These trends are clear indications of rising confidence and optimism, but these green shoots of recovery must be nurtured carefully. **It is too early to assume consumers are ready to put the events of the past 18 months completely behind them.** Indeed, only 21%⁴ felt able to tell our researchers they believe that their ‘day-to-day’ routine is on its way back to pre-pandemic normality.

Whatever the so-called new normal looks like, **it will not be a simple return to the past.**

One illustration of how external forces have led to new behaviours can be found in the data relating to e-grocery spend. In the May 2021 Happiness Lab survey⁴, 20% of people said they are now ordering groceries through online channels more often than they did in the previous three months.

By contrast, when the Happiness Lab⁴ asked that question in April 2020, just 5% told us they were placing more online grocery orders. This would indicate that as the pandemic has continued, **online food shopping has become increasingly embedded in people’s lives**, as the next chapter of this report explains in detail.

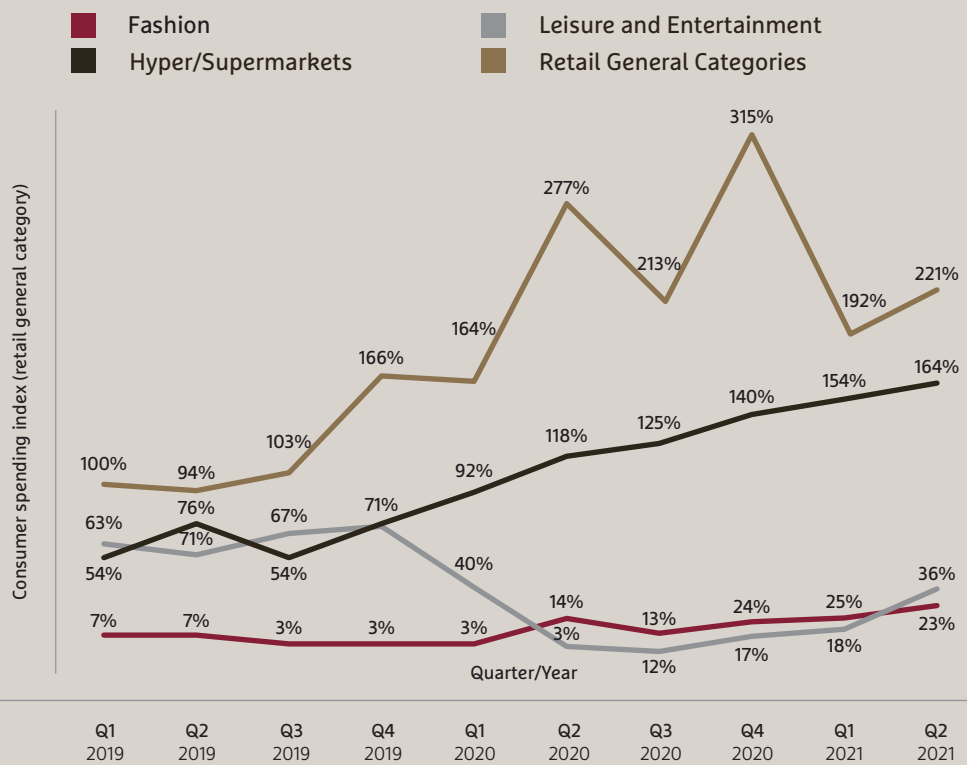
The Need For Convenience

The Rise of Online Sales and
Contactless Payments

Since the start of the lockdown in March 2020, **e-commerce sales have been growing faster on a month-on-month basis** compared to POS sales. There are, of course, multiple reasons behind this. Not least, for many people it was the only choice – those who were self-isolating were unable to visit a store. Plus, the fully-appropriate movement restrictions put in place to curb the spread of COVID-19 simply made shopping trips unviable. Consequently, spending migrated online. To understand the significance of the ongoing and future growth of e-commerce sales, it is important to keep in mind that 2020 was a year of truly exceptional levels of online shopping.

E-Commerce Consumer Spending Index - Retail Economy

(2019 - 2021*)



Source: POS data, 2019 – 2021*(YTD June)
 POS data sales evolution adjusted to a base 100 of retail general in Q1 2019

According to our POS data,⁸ overall e-commerce sales in the UAE in H1 2021 increased by 17% when compared to H1 2020. When comparing Q2 2021 with Q1 2021, **there was a 14% increase**. Across the first half of 2021, e-commerce sales accounted for 9% of the consumer spending in the retail economy, which is on a par with last year, when e-commerce accounted for 9% in H1 2020. This stable proportion indicates that the **unprecedented e-commerce growth of 2020 is being sustained**. The data on growth seems to bear this out when we consider that e-commerce sales grew 8% from Q2 2020 to Q2 2021.⁸

The strongest performers in e-commerce were fashion, grocery shopping (hyper/supermarkets) and leisure and entertainment.⁸

Close Up on Categories

Fashion

- E-commerce increased by 140% in H1 2021 vs H1 2020 and by 60% in Q2 2021 vs Q2 2020.⁸

Leisure and Entertainment

- E-commerce increased by 43% in H1 2021 vs H1 2020. There was a 10x increase in Q2 2021 vs Q2 2020 – this is likely to be caused by changing restrictions: the lockdown in March 2020 impacted e-commerce shopping for leisure and entertainment significantly.⁸

Hyper/Supermarkets

- E-commerce increased by 51% in H1 2021 vs H1 2020, 39% increase in Q2 2021 vs Q2 2020.⁸

The UAE is one of the region's most important engines of online sales, with 80% of the e-commerce market in the entire MENA region driven by the UAE, Saudi Arabia and Egypt¹⁰.

These figures are reinforced by findings from the Happiness Lab,⁴ in which, in May 2021, 25% of respondents said they prefer to buy electronics online, and 27% expressed a preference for buying fashion items online.

Insights - May 2021 vs. March 2021



20%

(+6%pts)

Say they order groceries online more often



25%

(+2%pts)

Prefer to buy electronics online



27%

(+1%pts)

Prefer to buy fashion and clothing online

Prefer webrooming

(Researching online to purchase in-store)

Electronics	38%
Home furniture	27%
Fashion	22%
Luxury products	22%

The growing acceptance and use of digital technology is also making its presence felt in the wider retail economy, not solely where online shopping is concerned.

Contactless payments are now a dominant force in UAE retail, with 62% of UAE shoppers telling a Mastercard Research Survey in May 2021 they will avoid businesses that do not accept electronic payments of any kind. According to the same Mastercard survey⁵, **88% of in-person transactions in the UAE are now contactless.**

Our POS data confirms this sentiment. Contactless transactions currently contribute up to 89% of the total volume of POS transactions in the UAE retail economy, **increasing by 74%** in H1 2021 compared to H1 2020.⁸ The adoption of new payment technologies is rising, and consumers' appetite for new, fast, and flexible digital experiences continues to grow.

UAE, still being a cash-driven economy, has started preferring card transactions more in the last two years. Consumers have begun increasing card transactions, even for smaller purchases.

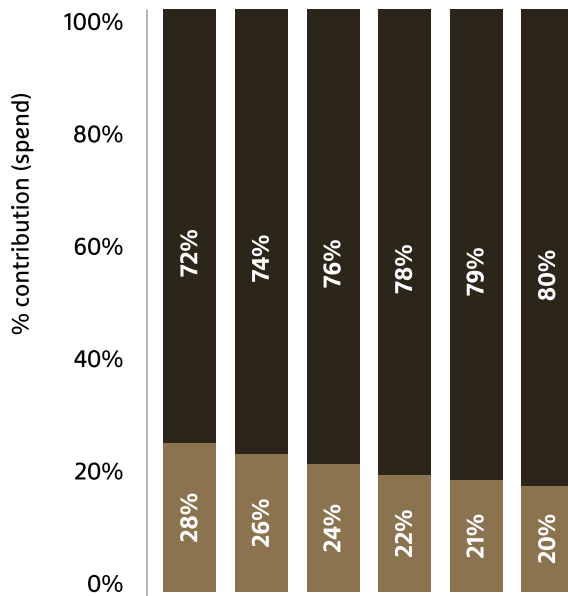
Majid Al Futtaim has noticed within the hyper/supermarket data that card penetration from the consumer base has increased by 16% pts., and the number of card transactions increased by 23% in 2021 vs 2019⁸. In total, 47% of transaction value has been seen to come from cards.

Contactless vs Non Contactless Breakdown Trend from 2020 to 2021 YTD (Jun 2021)

(excludes e-commerce)

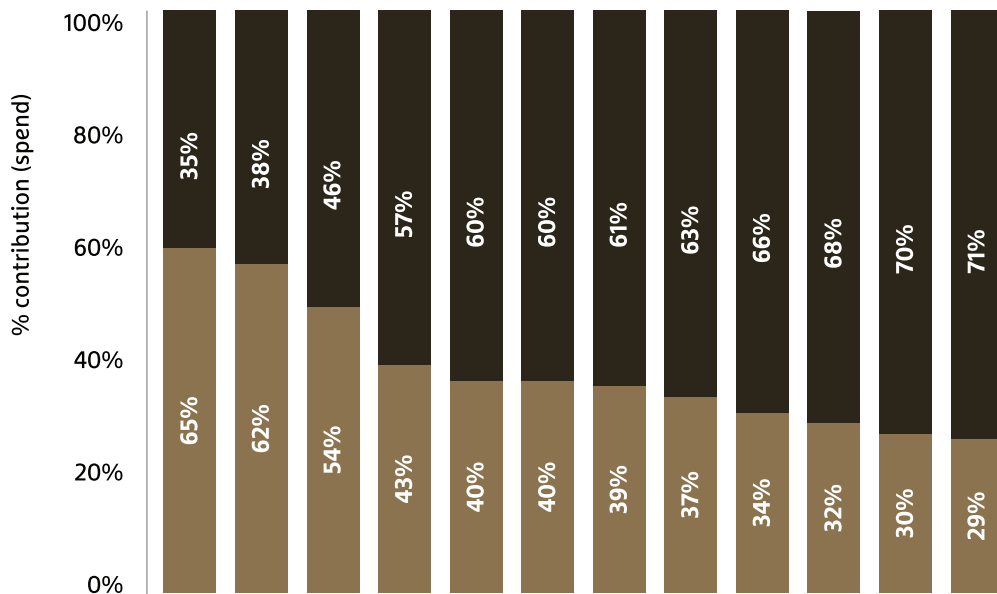
■ Contactless
■ Non Contactless

2021



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

2020



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Source: POS data, 2019 – 2021

Physical Retail



While e-commerce has become part of many shoppers' routines, **physical retail destinations are still the most important part of the retail landscape** in the UAE.

Again, **cautious optimism is evident** in the restraint many shoppers continue to exercise. They are moving forward at a pace with which they are comfortable, with current trends pointing in the right direction. Consumer spending in malls and non-malls was consistent and both **increased by 6%** in Q2 2021 compared to Q1 2021. A similar trend was recorded in 2019 (+6% Q2 2019 vs Q1 2019 in malls).⁸

Shopping data from inside malls provides us with a mixed picture that demonstrates why it is so important to look for a more nuanced analysis of the figures. It also reminds us that, while confidence is growing and people are feeling much more positive about returning to malls, this is **a slow-and-steady recovery**.

Spotlight On Categories Within Malls

- Hyper/Supermarkets: ▼ 5%
- Fashion: ▼ 7%
- Retail General Categories: ▼ 19%
- Leisure and Entertainment: ▼ 61%

(Spending Q2 2021 vs Q2 2019)⁸

Analysis: In-Mall Shopping and Consumer Behaviour



It should surprise no-one that in-mall leisure and entertainment spending was the hardest hit of all. When viewed through the lens of pandemic-driven restrictions, it is easy to explain this drop-off.

Whether it is the decreased need to buy fashion items or the lack of access to traditional entertainment venues, the pandemic has cast a long shadow over many categories. When coupled with people's hesitation to congregate inside, the data takes on a different and perhaps less bleak meaning.

Almost one-fifth (18%) of respondents to the Happiness Lab survey⁴ in May 2021 said they now make fewer visits to shopping malls. But in a further sign that customer confidence is returning, **64% said they feel comfortable going to the mall without their children**, while 54% feel comfortable going to the mall with youngsters.

Across Majid Al Futtaim's network of shopping malls,⁹ **total footfall increased by 11% in Q2 2021**, compared with Q1 2021. That rise is all the more remarkable when compared to the same period in pre-pandemic 2019, when it rose by just 4%. While this is an encouraging sign, it should be tempered with a little perspective. A year-on-year comparison of Q2 2021 with Q2 2019 shows footfall was still down by 18%.⁹



According to our POS data,⁸ within malls, consumer spending in hyper/supermarkets fell by 5% in Q2 2021 vs Q2 2019. Similarly, **there was a 4% dip when comparing the first halves of 2021 and 2019.**

It is possible to put some of that data relating to malls in a wider context, by comparing it with non-mall shopping. Here the **gains are evident**, many of the categories that performed well are precisely those that should be expected to experience rising demand in relation to pandemic-driven changes.

It can be expected that food and beverage spend increases when people are eating most of their meals at home. Likewise, spending on furnishings is triggered by people wanting to feel as comfortable as possible in their homes. Sales of alcohol also rose substantially, potentially indicating a shift of consumption from hotels to people's homes.

Consumer Behaviour: Areas of Spend



As we have seen, buying groceries online has grown in popularity in the UAE. But that growth isn't restricted to the online space – food and beverage sales overall have also risen during the pandemic period. A comparison of H1 2021 and H1 2019 gives us an indication while the POS data⁸ shows **consumer spending on food and beverage increased by 16%** during that time.

When grocery shopping, the POS data shows us people continue to spend carefully and remain focused on buying only essentials. **Looking for promotions is clearly important to many people**, as is buying items in bulk where possible, as this can help reduce overall per-item costs on a range of household consumables.

Caution may be one of the lasting effects of the pandemic. However, it is also evident from a number of key economic indicators that **we can detect a return to a more positive outlook**. Most encouragingly, that return appears to be self-sustaining.

How grocery shopping has been impacted due to the pandemic

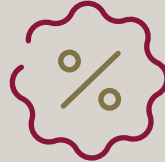
May 2021 vs March 2021 indicator as per Happiness Lab survey.⁴



22%

(-2%pts)

Buy only essentials



26%

(-4%pts)

Buy more on promotion



10%

(+4%pts)

Switch to cheaper brands



12%

(+0%pts)

Buy in bulk/more in total



9%

(+1%pts)

Buy less in total



21%

(+1%pts)

COVID-19 has not impacted my grocery shopping in the last month

An examination of aggregated POS data⁸ from **hypermarkets** and supermarkets shows there was a **4% decline** in Q2 2021 compared with Q2 2019. However, a quarter-on-quarter comparison between 2021 and 2019 shows a 2 percentage point decline (Q2 2021 vs Q1 2021 -0.5%, Q2 2019 vs Q1 2019 +3%). Figures from POS data⁸ over H1 2021 show spending on liquor and cigarettes/tobacco increased by 92% and 300% respectively when compared with the first half of 2019 – a remarkable increase perhaps driven by pressures on people brought about by lockdowns and other changes during the pandemic.

Tourism and its Role in the UAE Retail Economy



The UAE is a high-profile destination for business visitors and holidaymakers alike, and much of the country's economy benefits from tourism. Indeed, in 2019, tourism contributed up to 8% of the retail economy POS spend.⁸

There are certainly fewer tourists – 1.7 million tourists were registered in H1 2021 vs. 7.2 million tourists in H1 2019 according to DTCM. However, the tourists that came to Dubai extended their stay by ~45%, from an **average length of stay of 3.5 nights in 2019 to 5 nights in 2021.**⁶

Our data allows to track the card spend of tourists with deeper granularity and gives insights that shed more light on these new behaviours.

While the number of tourists (accounted as the non-UAE cards tracked in our panel) witnessed a corresponding steep decline of 44% vs. H1 2019, it is worth mentioning that **the total spend from these cards grew by 8%** thanks to an **increase in average spend per card of 51%.**⁸

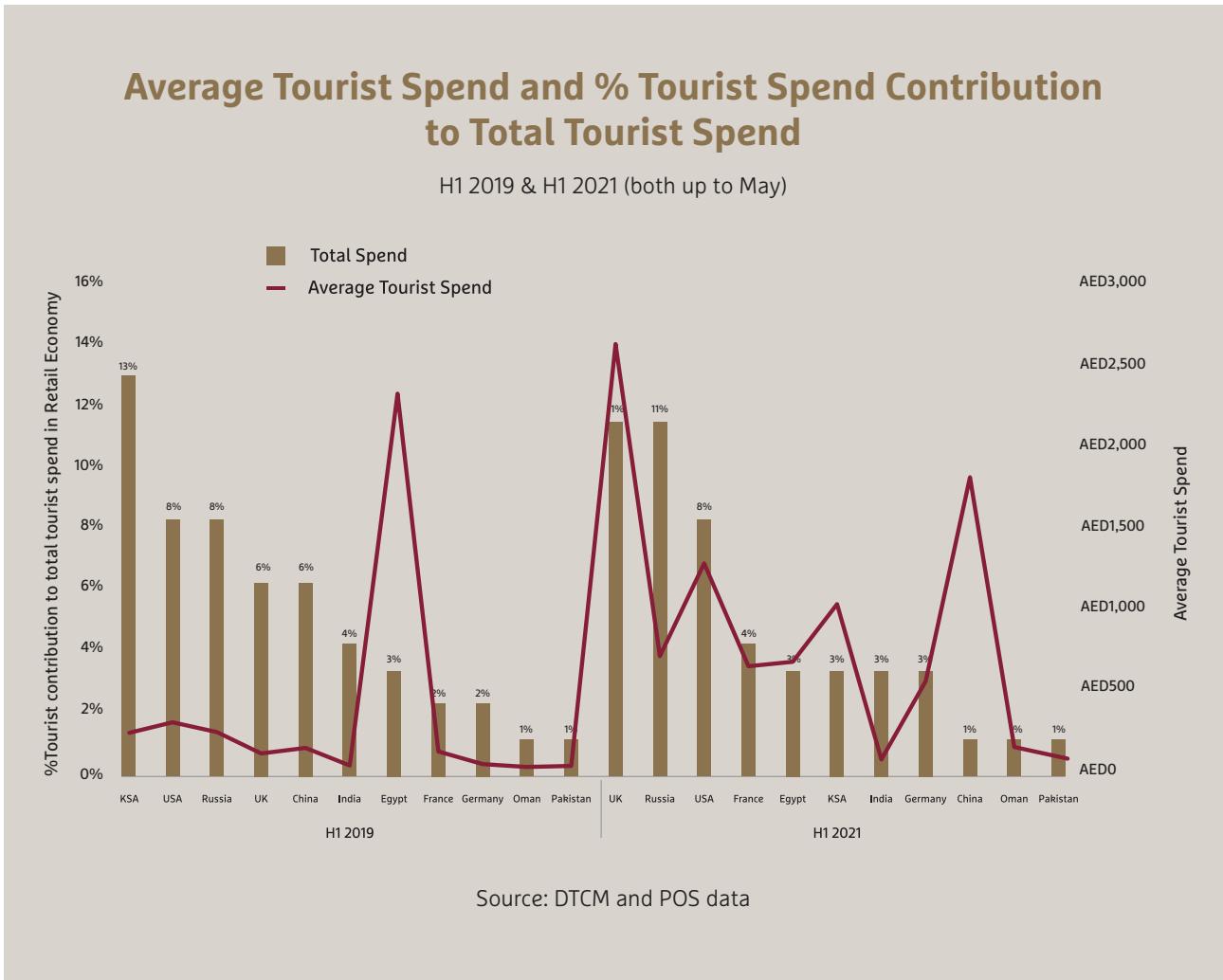


53% of that growth is associated with the following countries: the United Kingdom (+19%), Russia (+15%), France (+10%), Egypt (+5%), and Switzerland (+4%).⁸

In general, tourists have spent significantly more on luxury fashion & accessories (+148%), perfumes & cosmetics (+91%), food & beverage (+68%), hotels (+59%), hyper/supermarkets (+58%), luxury & non-luxury watches & jewellery (+51%), and electronics (+44%).⁸

The graph below denotes the total tourist spend by nationality and compares H1 2021 with H1 2019. In H1 2021, **tourists from the UK have both the highest total and highest average spend.**

As might be expected, a large part of that growth has been in categories like restaurants (+30%, H1 2019 to H1 2021) and hotels (+29%, H1 2019 to H1 2021).



But the longer visitors stay, the greater the likelihood that they will venture a little further, leading to an uptick in fashion-related sales too (+6%, H1 2019 to H1 2021).⁸

Looking at broader trends in tourist-related retail spending, the data tells us that there was a **14% increase** when comparing the second quarter of 2019 with the same period this year. A similar 2019-to-2021 comparison shows a 3% increase between the corresponding first quarters.⁸

Tourist-related retail spending dropped by 7% in Q2 2021 vs Q1 2021. In Q2 2019 vs Q1 2019 there was a 17% decline, indicating 2021 retail spending is looking better than 2019. Tourist retail spend in Q2 2021 increased by 14% when compared to Q2 2019. Again, this shows the **signs of a 2021 recovery in retail spend from tourists.**⁸

Further comparisons show there has been a **significant rise in tourist spend from Saudi Arabia in particular** – up 205% in Q2 2021 compared with Q1.

Residential Property



While the residential market had been on a downward trend for the past several years due to an oversupply, the Dubai residential real estate in **H1 2021 can be characterised by demand for villas and townhouses.**

The largest single purchase most people are likely to make in a lifetime is the home they live in. It stands to reason that the pandemic has caused potential buyers to pause, and wait for a degree of uncertainty to abate before thinking about buying a new home. As already indicated, **confidence is returning in many retail sectors**, including the residential property market. From May 2020 to May 2021, there was a **215% increase in the total number of residential property transactions in Dubai**⁷. This astonishing rise is only part of the story – the total value of residential property transactions **increased** over the same period by **357%**⁷ – figures for May 2021 compared to May 2020.

This phenomenon indicates a **pent-up demand** for property, which can be seen in the increase of the **average transaction value**, which **rose by 14.9%** between March 2021 and May 2021. Added to that, 16% (+4 percentage points compared to March 2021) of Happiness Lab survey⁴ respondents in May 2021 indicated an expectation that they will invest in real estate within the next year. According to results from the same survey,⁴ 31% of the respondents in May 2021 said they believe their financial situation will be stronger in the future – even though more than half of them indicated they had been financially impacted by COVID-19. This **belief in a stronger future financial outlook increased by 27 percentage points** in May 2021 compared to March 2021.



Once again, however, a closer examination of the headline data shows that caution is never far away. The 14.9%⁷ increase in average transaction value relates specifically to newly built properties that are completed and resold – i.e., currently occupied homes.

Conclusion



Cautious optimism sums up the prevailing mood of UAE retail in Q2 2021. Confidence is certainly on the rise, and can be seen in most of the key economic indicators across most retail categories and sub-sectors.

Overall, the UAE retail economy is slowly recovering. But Q2 2021 data has highlighted the importance in looking beyond headline statistics to understand underlying trends, including the assessment of shoppers' changing behaviour patterns. Also to consider is the prevalence of remote working, as well as an astute focus on discounts and promotions as consumers look to make their money go further. Similarly, footfall in malls is rising but remains down on where it was pre-COVID.

Nonetheless, as we have seen most notably with the burst of demand for housing, and the uptick in tourism, there is latent demand for a return to stability, if not what we might consider *normal* just yet.

In time, the success of vaccination programmes combined with the easing of restrictions, will see positive sentiment and buoyancy return with full force. Getting to that point will require a collaborative effort to move forward at a pace that is sustainable for all and sensitive to the needs of the communities we serve.

Methodology and Sources



This report has been authored by Majid Al Futtaim's Consumer and Business Insights (CBI) Initiative. It draws on the following main sources:

- The Happiness Lab – Majid Al Futtaim's Market Research Online Community (MROC) in the UAE. Happiness Lab has a total of 23,000 members in the UAE that regularly participate in various types of consumer surveys.
- Over 500 million point-of-sale (POS) transactions totalling more than AED 120 billion from over 2 million shoppers from multiple sources (Majid Al Futtaim's own data and POS data). We estimate that our sample covers approx. 10-15% of the economy's total transactions and can therefore be extrapolated with some caution.
- Golden Customer Records (GCR) - Majid Al Futtaim's customer record data. Consisting of over 8 million unique records, Majid Al Futtaim's GCR datalake contains a multifaceted overview of its customers spending habits and behaviours. Dating back to 2017, the GCR provides an unrivalled view of consumption patterns across our entire ecosystem.

All insights need to be considered through the inherent biases of the data.

Other sources are quoted individually and reflected in the endnotes.

Endnotes



1. Oxford Economics, UAE Economy Outlook, June 2021
2. IHS Markit, PMI data, 2019 - June 2021
3. <https://ourworldindata.org/covid-vaccinations>
4. The Happiness Lab, May 2021 Survey
5. http://www.tradearabia.com/news/IT_382129.html - MasterCardResearch, 2021
6. <https://www.dubaitourism.gov.ae/en/research-and-insights/tourism-performance-report-may-2021> / <https://www.dubaitourism.gov.ae/en/research-and-insights/tourism-performance-report-may-2019>
7. <https://dubailand.gov.ae/en/open-data/research/sales-house-price-index-jun-2021/#/>
8. POS Data, January 2019 – June 2021
9. Internal MAF Shopping Malls footfall data, January 2021- June 2021
10. WAMDA & MIT university, e-commerce whitepaper MENA, March 2021

