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Retail sales fall 30 pct, risk further drop



Dubai retail sales have slumped around 30 percent since September 2008 and could fall further, a senior industry figure said on Thursday, as the sector is buffeted by the economic downturn, rock-bottom consumer confidence and a declining population.

"There has been somewhere in the region of a 30 percent drop in retail sales since their peak in 2008," Majid Saif al-Ghurair, CEO of Al Ghurair Group, one of Dubai's biggest mall developers, said in an with Maktoob Business.

Ghurair, who is also chairman of the Dubai Shopping Malls Group (DSMG) that represents the emirate's more than 40 malls, said 2009

will be "bumpy year" as consumers cut back on spending, but forecast the market would start to stabilise in 2010, before recovering the following year.

"I am not suggesting we will see an improvement in 2010, but I believe this is when it (the sector) will start to stabilise," he said.

He declined to give a forecast for how far sales would fall by the end of 2009.

Dubai retail sector has grown rapidly over the last six years on the bank of the emirate's economic boom, establishing itself as a global shopping tourism destination renowned for its designer brands.

When the global financial crisis took hold in the second half of last year, tourist numbers began to drop off and sales started to decline.

Dubai hotels reported a 36 percent drop in revenue per available room (RevPAR), an industry benchmark, during the first quarter, while occupancy rates fell 16.7 percent to 72.4 percent, according to industry consultancy STR Global.

Ghurair said in April retail sales fell 20 percent in the first quarter. The slump has been led by luxury goods as cost-conscious consumers opt for cheaper products to save money. Sales of luxury goods have dropped about 45 percent since the start of the global economic crisis, top retailer Jashanmal Group of Companies said earlier this month, while gold jewellery sales fell around 40 percent in May on a year ago, according to retailers.

Ghurair questioned the breakneck speed at which mall were build during the boom years, stating many were built little thought to the local area's requirements, leaving them struggling in the current climate.

"There is no point in simply putting up lots of malls with the same shops in each one, because few will succeed," he said. The impact of the downturn in the retail sector is evident at many of Dubai's malls, with boards covering shop fronts promising new brands will arrive soon.

One of the hardest hit, the newly-opened Dubai Marina Mall, sits largely empty, with dozens of shop units boarded up.

Ghurair questioned the decision to press ahead with opening of the Dubai Marina Mall in December.

"If it had been down to me, maybe I would have delayed the opening of Dubai Marina Mall," he said.

Ghurair said a recovery in oil prices could improve consumer confidence and speed up a turnaround in the retail sector.

"There needs to be more confidence in the market and this could start to happen if the price of oil improves," he said, stating crude would need to reach \$75 a barrel by the end of the year to have a substantial impact on sentiment.

Oil prices peaked at \$150 a barrel in July 2008, but slumped to about \$30 in December as demand evaporated in the wake of the global recession.

Since the start of the year prices have rebounded, currently hovering around the \$70 mark on optimism of a recovery in the global economy.