

## MARKET REPORT

The steel industry in the United Arab Emirates is projected to grow by 30% in 2021 as growth will be driven by ambitious projects to be completed before Expo 2020.

Demand for steel products remains stable and on an upward trend despite fluctuations in the construction market, with a further considerable growth as of 2026 and onwards which will encourage local producers to cater for anticipated projects. The growth in this industry is also expected to generate additional job opportunities.



## DOING BUSINESS IN THE UAE

The United Arab Emirates is the UK's largest export market in the Middle East and the 13th biggest globally. The UK exported £9.8 billion of goods and services in 2016. This was a 37% increase since 2009. The UAE is the UK's third largest export market outside the EU, after the US and China.

The UAE has made huge progress diversifying its economy away from oil. Non-oil sectors now contribute about 70% of the UAE's Gross Domestic Product (GDP). According to International Monetary Fund (IMF) forecasts, as of March 2018, it's expected to be the second largest Arab economy in 2017 after Saudi Arabia in terms of GDP (in current prices). The IMF expects UAE to be ranked 25th globally (in current price terms), with a GDP per capita of USD 37,346.

There are over 5,000 British companies operating in the UAE, including BP, Shell, Rolls Royce, BAE Systems, Mott McDonald, SERCO, Standard Chartered, HSBC and John Lewis / Waitrose. 779 commercial agencies and 4,762 British brands have invested in the UAE.

The majority of the UAE population is made up of expatriates, with around 120,000 UK residents. In 2016 14.9 million people visited the UAE, of which 1.25 million were from the UK.

## THE ECONOMIC GROWTH

The award of EXPO 2020 to Dubai is forecast to boost the economy by USD 23 billion. This will result in about USD 8 billion worth of opportunities across many sectors particularly in hospitality and construction.

### Major GCC investment plans:

- 47 Expo 2020 construction contracts worth USFD 3billion being awarded in 2017. About 1,200 contracts worth USD 544 million were awarded in 2016;
- Multi-billion dollar Dubai Harbour, a four-year, 20 million sq. ft. project to create MENA's largest marina as well as a giant lighthouse;
- USD 15.6 billion infrastructure spending by Kuwait;
- Bahrain's Diyar Al Muharraq, a USD 2.5 billion waterfront city at Bahrain Bay comprising seven islands;
- Qatar is investing up to USD 13 billion in major infrastructure projects;
- The UAE is set to increase share of the manufacturing sector in the country's GDP from 14% to nearly 20% by 2021;
- As part of its Energy Strategy 2050, the UAE plans to invest USD 163 billion in projects to generate almost half the country's power needs from renewables;
- Led by construction & manufacturing sectors, GCC's non-oil growth is expected to be 3% on average in 2017-2018;
- With Middle East passengers projected to double by 2035, the GCC is pumping in USD 100 billion in airports expansions.

## MANUFACTURING SECTOR

Although still highly dependent on petroleum income, the UAE has the most diversified economy in the Gulf Cooperation Council region.

Each of the seven Emirates has different economic conditions and priorities, although they all adhere to an overarching the UAE Vision 2021 development strategy. While Abu Dhabi holds most of the country's oil and gas reserves and controls most national savings, Dubai acts as the commercial hub of the country. Domestic economic growth will continue to be driven largely by these two emirates, with Dubai attracting huge foreign investments as it prepares to host the historic 2020 World Expo and Abu Dhabi injecting more funds into infrastructural works. The economies of the two emirates exceed those of other GCC neighbours.

New growth segments, which include health, education, social welfare, infrastructure, trade, transport, logistics, finance, alternative and renewable energy, telecommunications, information technology, tourism, aluminium, petrochemicals, metallurgy, iron and steel, and aviation, will play a key role in the move to increase the levels of economic diversification, while also helping in the overall transition to a knowledge-based economy backed by creativity and innovation.

The UAE's manufacturing sector is reported to account 53% of the country's total non-oil exports. It is projected to contribute 25% of the overall GDP by 2025, attracting about USD 75 billion in investments. Reports show that international brands favour the country's business environment as an ideal location to set up its manufacturing hub in the region. Manufacturing is led by Dubai, establishing an industrial strategy through the Dubai Industrial Park spread over 55 square kilometres and houses over 680 companies. Industry reports revealed that the manufacturing sector is now Dubai's third largest, and the emirate's Department of Economic Development expects around USD 19 million to be spent on R&D by manufacturing companies, as the sector expands from a current value of USD 11.2 billion to USD 16.1bn by 2030.

## STEEL

The GCC prefabricated building and structural steel market reached a value of nearly USD 3 billion in 2016 and is expected to grow to USD 4 billion by 2022.

The UAE steel demand has made it one of the largest consumers in the GCC region. Over the past decade, steel consumption in the UAE has increased considerably buoyed by construction boom, growing investment in the real estate sector and rapid infrastructure developments. In addition, the steel industry has witnessed growth in terms of production, as various players are expanding their production capacities to meet the soaring steel demand.

Metallurgy in the UAE is represented by large steel mills capable to cater to the UAE's current consumption of 3.5 to 3.6 million tonnes of steel. The largest is owned by the Emirates Steel Industries Company, which was founded in the beginning of 2001. Today, it is a high-tech production with the most modern equipment and high quality standards. The brand name is known worldwide and has already proved its reliability.

The state-of-the-art steel plant of Conares spread in an area of over 1.5 million square feet at Jafza currently manufactures steel pipes and rebar. The rebar form about 20% of the UAE market share and the pipes cater to 25% of the total market demand in the region. Operational in these two major segments of the steel industry, Conares has carved a niche for itself and grown to be a key manufacturer. Its global and regional presence gives Conares a competitive advantage in sourcing raw materials. Conares has been growing to deliver 1 million tonnes of steel annually. Being a 100% privately owned entity, the company's assets exceed USD 300 million of investments in the UAE.

Other Dubai-based producers include Dubai Cable Company (Ducab), the largest manufacturer of aluminium and copper electrical cables in the UAE, and the second largest in the region. Ducab has four main business lines: wire and cables, high voltage, metals and, most recently, Ducab Aluminium Company (DAC). Jointly owned by the Industrial Corporation of Dubai and Senaat, Abu Dhabi's state-owned industrial holding company, DAC saw a 25% jump in foreign sales in 2016.

Star Steel, formed in 2006, is based in Dubai but has manufacturing facilities in neighbouring Sharjah. Privately owned by UAE conglomerate ETA Group,

itself part of Al Ghurair Group, the company has an annual production capacity of 360,000 tonnes of rebar and 240,000 tonnes of structural sections.

In February 2017 Al Shafar Steel Engineering (Assent) announced it was investing USD 47.6 million to expand its facilities at Dubai Industrial Park, creating one of the largest steel manufacturing companies in the region. The company is set to invest USD 27.2 million on construction as well as USD 27.2 million on new machinery, expecting to finish the 2,300-employee facility in late 2018.

## ALUMINIUM

The aluminium industry deserves special attention. This is a major item of government revenue, and therefore an important economic sector. The current easy-alloyed metals mining capacities in the UAE are able to provide a serious competition in the international market. Every year the UAE produces more than 10 million tons of aluminium in the form of raw materials and finished products.

The aluminium sector has been a key part of Dubai's industrial landscape since 1975, when Sheikh Rashid established Dubai Aluminium (DUBAL). Commercial production of aluminium began at the company's first smelter in 1980, with an initial production capacity of 135,000 tonnes per annum (tpa). From there DUBAL has grown into one of the world's largest primary aluminium smelters.

In June 2013 Emirates Aluminium (EMAL), formed through a partnership between DUBAL and Abu Dhabi-based Mubadala Investment Company, announced it would merge with DUBAL to form Emirates Global Aluminium (EGA). The resulting combined company became the world's fifth-largest primary aluminium producer, with a total capacity of around 2.5 million tpa. "The aluminium industry is one of the key economic drivers for the UAE, while creating job opportunities for a number of associated sectors of economy. It is estimated that for every job in the smelter, there will be four more jobs created elsewhere," Mahmood Daylami, secretary-general of the Dubai-based Gulf Aluminium Council (GAC), told OBG, adding that EGA is investing USD 5 billion to upgrade its older production facilities and power stations.

DUBAL's Jebel Ali plant in Dubai, which began production in 1980, consists of a 1 million tpa smelter, a 2350-MW power station and other facilities, while EMAL's Al Taweelah smelter in Abu Dhabi, commissioned in 2009, has a 1.3 million tpa smelter, a dedicated 3100-MW power station and other facilities, and is the world's largest single-site primary aluminium producer. EGA also owns Al Taweelah Alumina, which is tasked with developing an alumina refinery next to EMAL in Abu Dhabi.

In 2016 EGA reported USD 572 million in net profits, a 10% rise compared to a year earlier. EGA has four main product lines: re-melt ingot, with applications in automotive, electronics and aerospace; billet, used for construction, industry, transport and automotive; slab ingot, for lithographic sheets and food and beverage packaging; and liquid metal.

The UAE's production of primary aluminium was expected to total 2.5 million tonnes in 2017. OBG currently exports 70% of its production. EGA supplies the metal to some 300 customers in more than 60 countries. Meanwhile the region as a whole saw aluminium demand growth of 5.8% year-on-year in the first quarter of 2017, the second highest in the world. Global demand for aluminium is expected to hit 70 million tonnes per year by 2020, suggesting plenty of potential for future growth.

DUBAL has recently expanded its operations abroad. In May 2013 the firm completed its acquisition of Guinea Alumina Corporation, which owns and operates a bauxite mine in Guinea, in West Africa, from which EGA subsequently imports a large volume of bauxite and alumina inputs. In June 2017 EGA's board then approved the construction of a bauxite mine with a capacity of 12 million tonnes per year and an export facility in Guinea. According to media reports, EGA is now considering launching an initial public offering in both Dubai and Abu Dhabi, which could bring in as much as USD 3 billion and make it one of the first companies to be listed on both exchanges.

## MARKET OPPORTUNITIES

The UAE fabrication industry requires high-end machinery and equipment in order to provide on-time

deliveries, and ensure quality and craftsmanship on every part.

#### *Pipe and Tube Machinery*

Regional fabricators working with pipes and tubes have seen a steady rise in business irrespective of market conditions. Demand for machinery and tools used in bending and cutting of pipes and tubes has been on an upswing, thanks to rising usage of pipes and tubes in hundreds of infrastructure, petrochemical, industrial, oil and gas projects across the region.

#### *Welding and Cutting Machinery*

The formidable manufacturing and industrial sectors of the region were the main reason behind the rising demand for welding and cutting equipment in the UAE and the rest of GCC region. Heavy fabrications and focus on renewable energy usage also gave an impetus for growth in the welding markets.

Other sectors contributing to the overall market growth of welding equipment, consumables and services include the energy, construction and ship building industries, besides emerging sectors such as aerospace and defence.

#### *Machine Tools*

Metal cutting tools find wide use in almost all manufacturing industries that are flourishing in the region. Recent expansion in manufacturing and industrial production, increasing efficiency parameters and the quest to innovate are also key factors that fuel a hike in demand for tools that cut and shape rigid materials and make machines.

The economic diversification push has given an added impetus for the metal working industry to acquire latest tools for both metal cutting and metal forming, including automation and robotics, tooling systems, CAD/CAM and other technologies essential for manufacturing.

#### *Wear Resistant and Hard Facing Cladding*

Materials that improve product quality, extend wear life, reduce maintenance cycles and costs, and improve energy efficiency are required by such

industries oil and gas, construction, steel processing, ceramics and petrochemicals, use of wear resistance materials are on the rise in the region.

#### MARKET ENTRY

In order to meet the industry's demand for latest products, equipment and technology, the *SteelFab 2019* is staged in Sharjah (UAE) as a direct gateway to the opportunities in this sector, on January 14-17, 2019.

The *SteelFab* is an annual international exhibition that caters to the steel and metalworking industries in the UAE.

The UK suppliers are being selected through Intec Export Intelligence, Department for International Trade (DIT) delivery partner.

#### THE PACKAGE

To ensure that appointed suppliers maximise potential benefit, a comprehensive package has been put together, which includes:

- Provision of interactive contact list support facility;
- Return flight from UK to UAE;
- Four star hotel accommodation;
- Transport to and from airport to the hotel and venue;
  - Exhibition site complete with purpose built shell scheme, fascia board and furniture (9 m2);
  - All necessary badges, passes, security, cleaning and catalogue entry.

#### CONTACT LIST SUPPORT FACILITY

- The allocation of the end-user contact details in UAE;
- The specific customer, partner, agent, and distributor information relevant to each appointed supplier.

*Sources: DIT, OBG, STEELFAB*