

# Industry in the UAE



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Industry is the economic backbone of a nation. The UAE has been clear about its intentions to diversify the economy and develop sectors that contribute to the higher end of the value chain. The industrial sector is key to the UAE's ambitions to develop a diversified, sustainable economy.

### Industrial Sector's Contribution to GDP

In 2010, industry contributed \$71.6bn or approximately 40% of total non-oil GDP. Industrial contribution by segment came from construction at \$34.66bn, manufacturing at \$28.93bn, electricity, gas, and water at \$7.62bn, and quarrying at \$390.9m. The leadership plans to further reduce the rate of contribution of the energy sector to approximately 20% in the next 15 years through growth and development of other sectors.

### Access to Energy

One of the key enablers of industry in the UAE, and a true incentive to industrialists, is access to energy. The availability of reliable and relatively cheap energy makes the emirates a very appealing place for industrial installations. Furthermore, many of the industrial zones offer energy-based incentives to potential tenants.

Energy production in the UAE has increased from 150,801 kit (kilotons of oil equivalent) in 1998 to 180,549 kit in 2008. This corresponds to an increase from 33.39bn kilowatt-hours to 53.42bn kilowatt-hours. Electrical power consumption rose from 31.60bn kilowatt-hours to 48.95bn kilowatt-hours over the same period. Electrical consumption per capita rose only marginally over the same period.

### Industrial Zones & Free Zones

As industrial development requires a carefully orchestrated infrastructure, the UAE has focused on developing a number of industrial areas and free zones where all the necessary support facilities are provided, processes and procedures are streamlined, and where clustering of production creates time and cost saving synergies. These zones can be found in each of the emirates.

### Industry and Manufacturing

Industry (including mining, manufacturing, construction, and power) accounted for an estimated 54.2 percent of the gross domestic product (GDP) in 2005 and employed almost 36 percent of the workforce in that year. The major heavy industries in the UAE are related to oil and gas, and the bulk of the manufacturing industry is centered in the Jabal Ali Free Zone in Dubai and the Jabal az Zannah-Ar Ruways industrial zone in Abu Dhabi. The main products are liquefied petroleum gas, distillate fuel oils, and jet fuels. Manufacturing constituted 12.9 percent of GDP in 2004 and employed 13 percent of the workforce in that year. Aluminum has emerged as a key manufacturing activity over the last 20 years as a result of the growth of Dubai Aluminum, owned by the Dubai government. The company's 2006 production capacity of 850,000 tons per year placed it as one of the world's top 10 producers. In mid-2006, Dubai and a company owned by the Abu Dhabi government signed an agreement to establish a smelter in Abu Dhabi with a capacity of 1.2 million tons per year; the first phase is scheduled to be operational in 2010. Other manufacturing sub-sectors are steel and chemicals.

### Top Business Sectors of Dubai

Below-mentioned are the growing business sectors that grab the attention of worldwide visitors. Let us proceed and have a look at the sectors.

### Automotive and Aerospace

Dubai is known as a business podium which has a space for every type of business. The automotive industry stands as no exception and becomes one of the key drivers to boost the economy. Even, police cars prevailing in Dubai turn out to be luxury-vehicles dealing with high performance. The region has got a mass market for the automotive sector, and it is expected to grow even more by the end of 2020. The number of passengers is expected to increase at a compound annual growth rate (CAGR) of 5%, holding 13.2 million counts by 2020.

The aerospace sector stands as one of the top six focused areas in Dubai Industrial strategy 2030, with an expected contribution of 2.3% towards the GDP of the country. The industry prevailing in the region currently contributes \$80 billion to the region's economy, paving out a way of employment for more than 2,50,000 direct and 2,25,000 indirect jobs. The major players in the industry include Emirates Airlines and Etihad Airlines. By the year 2020, the sector is expected to contribute DH 200 billion, which will hold 7,50,000 job opportunities. DuCamz serves to be a dedicated free zone to the car and automotive industry, and there exists an enormous opportunity for the business investors to come forward and invest in the aerospace industry.

### Oil and Gas

The next industry that attracts the attention of investors is the oil and gas industry. The UAE stands as a member of the Organization of Petroleum Exporting Countries (OPEC) and Gas Exporting Countries Forum (GECF) and has been a prominent player in the international market. The UAE stands as the world's seventh largest providers of oil reserves and stands as one of the key drivers contributing to the growth of the economy. Abu Dhabi, the capital of the UAE, attracts business investors to come forward and set up oil and gas business in the region. To know more about it,

### Manufacturing

The manufacturing industry in the UAE is a growing one as it contributes to a great extent to the economy. According to a report, 7% of Abu Dhabi's GDP is expected to generate from the manufacturing sector, exceeding the output by 22.8%, and building an employment pipeline for more than 21.7 billion. The manufacturing industry has got different sections in its umbrella that covers the manufacturing of:

Metals

Building Materials

Petrochemicals and Chemicals

Pharmaceuticals

Food, Beverage and Consumer Goods

Aerospace and Defense Equipment

Industrial Equipment

Food and Beverages

The food and beverage industry fall under the booming business industries of the UAE. In the international level, the F&B industry stands as the second largest industry of the world. The UAE F&B has extended its arms in the national as well as the global level and is expected to hold a higher value by the year 2020, as the demand will grow during Expo 2020. By the end of 2021, the fresh food count would increase in the region by 8.3%.

A strategy that the UAE adopts to bring more players in the market is by conducting different trade show events like Gulfood, a world food fest that takes place every year in the UAE, attracting more than 5000 exhibitors to showcase their food items. Parallely, it also provokes entrepreneurs to come forward and start their business in the food industry. To start a restaurant, a restaurant license is required to be held by the business owner. Similarly, cafeteria license and food truck license need to be held by the owners who are planning to start a cafeteria or food truck business in the UAE.

### Marketing and Advertising

As we know that the business entities established in the UAE has been increasing day-by-day, and is expected to grow more after the Expo 2020, as it would build in more business relationships. In such a scenario, companies will require marketing, branding and advertising services to create brand awareness. Currently, more than \$1 Billion per year is spent on advertising by the UAE companies, and are going directly to the Silicon-valley.

The demand is high, and it turns out to be a niche market in the region, which is an excellent chance for the business owners, marketing professionals and even freelancers who are looking forward to set up a marketing or advertising consultancy or business. To leverage the industry growth dedicated free zone like Dubai Media City has been developed, dedicated to the media industry, that provides office space services to the media, advertising and marketing companies to setting up their business. You can quickly start your business after obtaining the advertising agency license, which will be issued by the UAE Government Authorities.

In a nutshell, we can say that the region of UAE has been accepted as an international business hub that has been excelling in all possible grounds to hold numerous business industries. "Think business, think UAE" turns out the ultimate motive of the region that it has been trying to infuse in the minds of the worldwide business investors, entrepreneurs, and freelancers.

Please stay connected with us to check Part II of Top Business Industries Prevailing in Dubai| 2019, to find the next set of seven industries on which you can focus to start your own business. To ease your process, Commitbiz consultants can be at your side to guide you at every step of the business incorporation process. If you hold any query, do contact us-we would be glad to assist you.

### Industrial Development in Dubai

In Dubai, over the last 15 years, industrial development has been driven in large part by the facilities offered through the Jebel Ali Free Zone (JAFZA), one of the world's fastest growing free zones. JAFZA is currently home to over 6400 companies, including over 120 Fortune Global 500 enterprises. Jebel Ali is also home to the Port of Jebel Ali, which is the world's largest man-made harbor, the biggest port in the Middle East, and the flagship of international port operator DP World. Total industrial activity already contributes nearly 8% to the GDP of Dubai. To continue the drive towards industrialization, Dubai has also launched Dubai Industrial City in an effort to bolster light and heavy manufacturing.

### Industrial Development in Abu Dhabi

Another key development is Abu Dhabi's KIZAD, a massive industrial zone spanning 417 sq. kilometers. By 2030, Kizad is expected to contribute 15% of Abu Dhabi's non-oil GDP. The zone has been designed for global business to locate large-scale primary and downstream manufacturing facilities. The government forecasts that between 60% and 80% of the goods manufactured within KIZAD will be exported, adding further value to the nation's economy.

Sources:

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