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UAE

Dubai set to target industries of future

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Dubai set to target industries of future

Manufacturing of the future plays an increasingly important role in Dubai's economic structure as the emirate aims to reduce external shocks and vulnerabilities on the path of its next stage of development, says a report

The UAE Emirate of Dubai, a trend-setter in the region in diversification and innovation, is set to focus on the industries of the future, including space, biotech, medi-tech and other sectors that are enabled by Fourth Industrial Revolution technologies, as it looks to strengthen its industrial ecosystem.

The emirate sees that developing its manufacturing sector will be an important element in reducing economic vulnerabilities especially to external shocks such as energy price volatility and supply chain issues. It also makes the economy more self-reliant and reduces dependence on imports, which is positive for its long-term trade dynamics, says an Emirates

NBD research report.

Additionally, the plan will focus on SME growth by providing more attractive financing options for those enterprises. Dubai is well positioned to capitalise on those longer term national industrial plans particularly given, its logistics and overall infrastructure readiness, says the report.

Manufacturing plays an increasingly important role in Dubai's economic structure with the emirate well positioned for the next stage of development, as its growth dynamics are starting to recover from the Covid-19 impact. Dubai has built a strong industrial base in metals and high-value downstream processing

sectors through companies like Ducab and Emirates Global Aluminum (EGA).

At a wider policy level, the core driver of the UAE and Dubai's long term industrial and manufacturing goals is Operation 300bn which was launched in March 2021. The plan is a 10-year comprehensive strategy which aims to empower and expand the industrial sector to become the driving force of a sustainable economy, increasing its contribution to GDP from the current AED133 billion to AED 300 billion by 2031.

The Ministry of Industry and Advanced Technology will lead the strategy and roll out programmes and initiatives to support 13,500 industrial small and medium enterprises. The strategy is centered primarily on future industries making use of advanced technologies and the Fourth Industrial Revolution (4IR) solutions and applications.

The strategy will also focus sustainable development. It aims to add value to local output and increase the competitiveness of UAE exports globally. The plan also aims to offer a competitive package of facilities and incentives with that attracts talents and the human capital needed to achieve those goals.

The focus on manufacturing, which contributed 9.7 per cent to Dubai's GDP in H1 2021, comes as the emirate registered

a strong recovery from the Covid-19 impact.

DYNAMICS REBOUND

For the full year 2021, Emirates NBD estimates Dubai's economy grew around 5.5 per cent — an upward revision from its earlier forecast of 4 per cent. While growth is likely to slow somewhat in 2022, Dubai's economy will continue to recover from the pandemic-related contraction in 2020, it predicts.

Dubai's non-oil private sector economy continued to mark robust growth in April, led by a sharp increase in output levels. The seasonally adjusted S&P Global Dubai Purchasing Managers' Index (PMI) registered at 54.7 in April, down from 55.5 in March, its first drop since January. However, the indicator stayed above the 50 no-change mark for the 17th consecutive month, indicating a solid upturn in business conditions across the non-oil private sector.

Uniquely positioned as a key global axis for trade, Dubai is well positioned for its next stage of growth, as it transitions from hard infrastructure build-up towards a stronger focus on policies "soft-infrastructure", the report said.

Looking at the post pandemic recovery, the research note said that trade, local manufacturing, e-commerce, fintech, a recovering real estate market and a rebounding tourism sector are also critical to the long-term economic potential of the emirate. "Dubai's economy is well positioned to successfully transition on to the next phase of its economic cycle. Capacity uptake will be a key measure of that suc-

cess," it said.

"We will see an increasing shift from physical infrastructure build-up to policy measures that hone and deliver on the 'soft infrastructure' needed to support the emirate's long term growth strategies," Shady Elborno - Head of Macro Strategy, Emirates NBD Research and the author of the report said.

TRADE INFRA, AN 'ENABLER'

The study notes that the emirates physical infrastructure has helped position Dubai uniquely as a key global axis for trade, while policy execution and a government focused on service excellence, offered businesses operating in the region the needed framework to operate efficiently.

"While metrics across most economic parameters are yet to reach pre-pandemic levels, Dubai sits in a good place with its high-quality infrastructure capacity, and proactive policies that keep the economy open for business as the pandemic continues to evolve," the report said.

Dubai's investment in trade-enabling infrastructure like its seaports and airports, allows it to be a crucial East-West transshipment point, similar to other trade-based economies like Singapore and Hong Kong, aiding its post-pandemic recovery, he said in the report.

The geographic axis of Dubai in addition to its prowess as regional trade and logistics hub have made it among the most strategic trade corridors the Middle East and North Africa (Mena) region. Its seaports are the most developed in the region with Dubai's Jebel Ali port the 11th

busiest in the world, and the largest container port between Singapore and Rotterdam with an annual TEU throughput of around 15mn, an annual capacity of 19mn TEU, and a draught of 16m at some berths. The port handles almost 60 per cent of the cargo that is destined for the Gulf Cooperation Council.

Furthermore, Dubai's diversified portfolio of free trade zones covers a wide range of sectors from light and heavy industries, technology, and financial services. This ensured the build-up of a critical mass of businesses across a wide range of sectors, and this in turn drives the attractiveness of Dubai as a regional business hub for many multinationals and has been a key reason why many global corporates see Dubai as a natural base for operations into the immediate region and into Africa (through strong maritime and air links).

"Building outsized capacity in infrastructure has come to define the emirate's drive to diversify," he noted.

NON-OIL TRADE SURGES

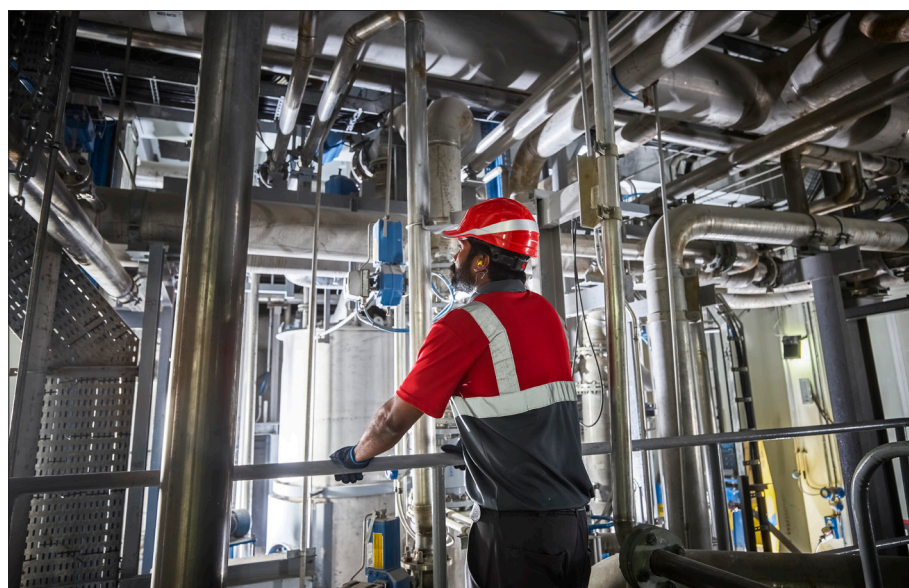
According to the Emirates NBD report, Dubai's non-oil external trade surged 31 per cent in H1 2021 to reach AED722.3 billion from AED550.6 billion in H1 2020, as the economy's trade enabled infrastructure positioned it to realise gains from the rebound in global and regional trade. Exports grew 45 per cent year on year (yoy) in H1 2021 to AED109.8 billion from AED75.8 billion. Imports rose by 29.3 per cent yoy to AED414 billion from AED320 billion. Re-exports grew 28.3 per cent yoy to AED198.6 billion from AED154.79 billion.

China maintained its position as Dubai's biggest trading partner in H1 2021 with AED86.7 billion worth of trade compared to AED66.3 billion in H1 2020, up 30.7 per cent yoy.

Trade with India grew 74.5 per cent yoy to AED67.1 billion from AED38 billion. Trade with the US reached AED32 billion up 1 per cent yoy from AED31.7 billion. Saudi Arabia came fourth with AED30.5 billion up 26 per cent yoy from AED24.1 billion, followed by Switzerland with AED24.8 billion up 2.3 per cent yoy from AED24.2 billion. The total share of the five biggest trade partners in H1 2020 amounted to AED241.21 billion compared to AED185.06 billion in H1 2020, up 30.34 per cent yoy.

Direct trade in H1 2021 totalled AED445.6 billion, up 39.5 per cent yoy, while trade

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Manufacturing is a key component of diversification

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through free zones reached AED272 billion, up 19.8 per cent yoy. Airborne trade accounted for AED364.8 billion, jumping 46.15 per cent yoy from AED249.6 billion in H1 2020. Sea trade reached AED247.5 billion, up 16.7 per cent yoy compared to AED212.18 billion, while land trade touched AED110 billion, up 23.7 per cent yoy compared to AED88.8 billion.

The report further makes an important observation: it is estimated that 4,000 Chinese companies are registered in emirate alone. In fact, the UAE, and especially Dubai plays an important role in China's Belt & Road initiative, given its position as the leading regional logistics hub, through maritime, air and land logistics capabilities. The emirate's trade-ready infrastructure is crucial to enabling Chinese goods transiting through the immediate and near region and into Africa, the research paper noted.

E-COMMERCE ECOSYSTEM

E-commerce is emerging as a key platform for Dubai's important retail and trade sectors, points out the Emirates NDB report. And there are several drivers that define the success of e-commerce in the UAE and Dubai. First, demographics in the UAE with a younger population and high per capita GDP, is an important driver for product take-up and appetite for digital channels to access shopping. High internet penetration, with close to 99.2 per cent of the population having access to internet, and the role the internet plays in a consumer's path to purchase – from discovery, research, to buying.

"It is the combination of factors ranging from the available infrastructure, the demographics, and the extremely high internet penetration, that make the UAE the region's leading e-commerce market," the report noted.

Logistics in Dubai is a very important enabler of the e-commerce boom especially that experienced post Covid-19. "Given the emirate's outsized position as a regional logistics and transport center it was able to mobilise significant resources across its transport ecosystem to address consumer and business needs, during and right after lockdowns," the report said.

While delivery companies initially struggled to fulfil orders and delivery costs increased across the board, those issues were quickly ironed out, and almost all retailers now offer very efficient time-sensitive delivery options. ■

Digital capabilities boost MSMEs

Digital payments, a surge in e-commerce, an online presence across social networks are the key factors that have helped Dubai's small businesses recover from the impact of Covid, according to a study



Digital capabilities were key to resilience of Dubai MSMEs: Study

Growing acceptance of digital payments and expanding use of social networks, messaging apps, online marketplaces, and cross-border reach were key factors in boosting the recovery and resilience of micro, small and medium enterprises (MSMEs).

These are the main findings of a joint study conducted by the Department of Economy and Tourism (DET) in Dubai and the Visa Economic Empowerment Institute (VEEI), which assessed the resilience of small businesses in Dubai

during the Covid-19 pandemic.

A whitepaper resulting from the study titled 'Dubai MSMEs: Digital and resilient' looks at the digital journey of MSMEs in Dubai and draws on Visa data to provide insights into UAE commerce trends.

The report noted that the pandemic led to a surge in e-commerce as business owners moved quickly to fulfill their customers' demands.

The study surveyed businesses that are actively accepting card-not-pres-

ent (CNP) payments as an indication of e-commerce activity. For all businesses in Dubai, this percentage increased from 8 per cent in July 2019 to 13 per cent in August 2021, a growth of 60 per cent.

For small businesses, the percentage increased from 7 to 12 per cent over the same period, a growth of 70 per cent. Dubai saw a record 83 per cent Year-on Year (YoY) increase in the number of eCommerce licenses issued in the first half of 2020.

“Small and medium enterprises that operate in Dubai enjoy distinctive advantages. The emirate’s constantly evolving enabling ecosystem provides the ide-



Abdul Baset Al Janahi

al conditions for SMEs in the emirate to adapt to challenges. This has been a key factor driving their resilience and stability during the pandemic,” said Abdul Baset Al Janahi, CEO of Dubai SME, an agency of the Department of Economy and Tourism in Dubai.

“Enhancing the digital capabilities of SMEs has always remained a priority for Dubai SME, and our efforts in this direction took a new turn with Dubai announcing its strategic vision to be a leading innovative digital economy. The findings of the DET-VEEI study confirm that digital is the way forward for small and medium enterprises and the best pathway to sustain their growth,” he added.

“The global pandemic and resulting economic crisis have severely impacted all businesses, with the smallest of firms struggling the most. It is therefore encouraging to see merchants in Dubai, especially those that have embraced digital commerce, feel optimistic about business recovery and growth,” said Dr. Saeeda Jaffar, Visa’s SVP and Group Country Manager for GCC region.

“Supporting MSMEs has always been a top priority for Visa and is also the key



Dr Saeeda Jaffar

to economic recovery. The Dubai government has spared no effort in developing a digital infrastructure that supports remote operations and digital business models for MSMEs in the ‘new normal’. Given our aligned goals, we are pleased to be able to share the results of this study in partnership with DET,” she added.

A majority of MSMEs in Dubai experienced growth in 2020. About 43 per cent of the surveyed firms had positive revenue growth in 2020. Not surprisingly, firms that experienced the fastest revenue growth in 2020 were optimistic about growth in 2021.

MSMEs adopted new payment capabilities during the pandemic and transitioned away from some familiar ones. Accelerating new trends saw Dubai shifting away from cash and cheques payments towards digital methods.

The majority of firms in all size categories still accept cash, but mobile payments, QR codes, established non-card e-commerce payment providers, and

newer entrants in the payment space kept gaining users, especially in comparison with pre-pandemic levels. In a striking development, more medium firms reported accepting mobile payments than cash in domestic transactions.

MSMEs expanded their use of social networks, messaging apps, and online marketplaces. MSMEs increased their digital activity across size categories. The use of these online marketplaces doubled in many cases from their pre-pandemic levels.

The main priorities MSMEs identified in continuing their recovery is getting customers back, followed by diversifying their products and services, exporting to new markets, and digitising their sales channels. Firms that sell online placed loans and grants in the bottom half of their strong needs. Not surprisingly, digital sellers included cybersecurity among their top needs.

Looking ahead, firms plan to prioritise improving their digital capabilities. Firms in every size category indicated they will prioritise expanding their digital marketing capabilities, growing their online sales, and amplifying their use of digital payments.

About a quarter to a third of firms, depending on the firm size category, have set out to telework before or during Covid-19, and almost another third of firms reported that they are looking to pursue teleworking soon. ■



MSMEs adopted new payment capabilities during the pandemic

Dubai Chamber members' Q1 exports, re-exports hit \$22bn

The Chamber has played a crucial role in connecting global trade markets and consolidating Dubai's position as a leader in developing the world trade system



Dubai Chamber of Commerce : boosting the emirate's competitiveness

Dubai Chamber of Commerce, one of three chambers operating under Dubai Chambers, has revealed that its members' exports and re-exports in 2022 first quarter amounted to AED81.3 billion (\$22.13 billion).

The Chambers' membership increased 55.4 per cent in April 2022, while member exports and re-exports grew by 16.7 per cent, compared to the same period last year.

The new member companies joining Dubai Chamber of Commerce in April 2022 reached 3,056, bringing the Chamber's total membership to 300,000 companies and making it the largest chambers of commerce in the world.

EXPORTS IN APRIL HIT \$5.5 BN

Meanwhile, the value of members' exports and re-exports in April 2022 amounted to AED20.2 billion, growing by 16.7 per cent from the AED17.3 billion posted in April 2021. The Chamber issued 57,704 certificates of origin in April this

year, up by 8.2 per cent from last year.

Abdul Aziz Al Ghurair, Chairman of Dubai Chamber, said the latest figures reflect Dubai Chambers' efforts to stimulate the business environment and boost its competitiveness. He noted that the new Dubai Chambers structure has enabled the three chambers operating under its umbrella to adopt a more specialised and effective approach to driving Dubai's sustainable economic growth and development, while elevating the emirate's position as a global business hub.

INTERNATIONAL HUB

"Dubai's status as an international hub that connects economic decision-makers, investors, and experts reflects the emirate's pioneering role in establishing an optimised trade and investment climate that stimulates business growth and development. Dubai Chamber of Commerce constantly seeks to promote Dubai as a global commercial, economic, and digital destination," Al Ghurair added.



Abdul Aziz Al Ghurair

"Dubai Chambers is a strategic and effective partner in driving comprehensive economic development in the emirate. We are now in the process of developing and launching several new initiatives designed to improve ease of doing business in Dubai, remove trade barriers and enable businesses in Dubai to tap into a wealth of growth opportunities in promising market, while expanding our efforts to attract multinational companies and high-potential startups from abroad," he said.

Al Ghurair highlighted the crucial role played by the Chamber's international offices in connecting global trade markets and consolidating Dubai's position as a leader in developing the world trade system.

HOLDING 140 MEETINGS

In April 2022, the Chamber's international offices held more than 140 meetings with prominent investors in Africa, Latin America, Azerbaijan, India, and China, in addition to virtual meetings with high-level government officials and entrepreneurs from Russia, France, Mexico, Zimbabwe, and Switzerland, he revealed.

A 100 per cent paperless smart entity, Dubai Chamber of Commerce processed 61,145 electronic transactions in April 2022, marking a growth rate of 9.5 per cent, demonstrating Dubai's growing appeal as a global digital capital and a leading destination for business and finance. ■