



Middle East Fastener Markets: UAE and Saudi Arabia

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Globalisation has allowed transfer of knowledge and technology across borders, enabling manufacturers to access new markets. Industries are in the midst of the revolution through Industry 4.0 supported by high technologies and digital transformations. By looking at the lively, developing demographics and economies of the GCC which includes the United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Oman, Kuwait and even wider Middle East specifically Iran and Lebanon, high technologies are expected to expand and advance manufacturing industry in this region. UAE and precisely Dubai are well known regionally and internationally as one of the pioneer in having Hi Tech infrastructure and Digital Transformation applications. Other countries like Saudi Arabia, Qatar and Iran also have achieved significant technological advancement in their industries with their own focuses.

The manufacturing sector in the Middle East is continuing its growth, as it is known as the second largest industry, after oil and gas, for most of the countries in the region. There are a number of new industries such as metal, building material, machinery,

automotive and electrical equipment which have been set up in countries in the Middle East.

The growth of the manufacturing sector plays an essential role in the region for Middle East countries' non-oil economy. For instance, in Abu Dhabi by itself, within last five years, manufacturing has contributed more than 12 percent in their non-oil GDP as reported by the Industrial Development Bureau in Abu Dhabi.

Basically, the gigantic oil and gas market in the Middle East has improved extremely the region's economic growth and consequently brings excessive opportunities and considerable capital for the countries in the region to invest in various sectors other than oil and gas. Additionally, a majority of countries in the region, such as UAE and Saudi Arabia never had to go through the theoretical phases of development, lacking of capital, which most of the developed countries had to.

Industrial activity is on the rise in the region and a majority of Middle East countries are aggressively diversifying economic and their investment to reduce their dependence on the oil and gas industry. The UAE government, for instance, is planning to grow and expand the contribution of the manufacturing sector to the country's overall GDP to 25% by 2025. Currently, the manufacturing sector in UAE is ranked as the second largest market after oil and gas, in terms of revenue.

In last couple of years, many new manufacturing units have been set up and foreign direct investments have also been welcomed into UAE, and recently to KSA and other key players in the region. For instance, if we look into UAE industries, we will find out, Abu Dhabi is focusing more on heavy industries, as they have low-cost energy sources; while Dubai and Sharjah are emphasized mainly on light industries and service sectors.

The fastener industry is not considered and ranked as major industries in the region, but several fastener manufacturing firms are established and currently operating in the region. Those fastener manufacturers are mainly looking into





specific target markets, by producing specialized fasteners for oil and gas, construction and automotive industries. However, there are many other manufacturers selling and exporting their standard fasteners and tools into local and regional markets.

Import of a variety of machinery, tools, and materials for fastener manufacturing and many other industries, has slowed down innovation amongst a majority of countries in the region. UAE and KSA, do not have sufficient historical background of manufacturing and therefore it causes lack of availability of adequate machinery in these countries. Both countries, are very advanced in the construction sector, but innovations in most of manufacturing sectors, in the fastener sector, for instance, are not at par with the levels set in the construction sector. That makes their fastener industry excessively dependent on imported technology, material and machinery.

In terms of final products, UAE, exported more than USD 217 million of fasteners (HS Code: 7318) to the global market. Last year, about 70 percent of UAE fasteners were shipped to the neighbouring countries which include KSA, Oman, Kuwait, Bahrain, Iraq and Iran. That makes UAE, the largest exporter of fastener products in the region and other countries are significantly lagged behind. In 2018, KSA, exported less than USD 12 million of fasteners which is about 5% of the total exports registered by UAE. This could be a good evidence to show that UAE is one of the major export hub in the region. In 2018, more than 20 percent of the UAE fastener exports were delivered to KSA.

Economic growth, increasing construction spending and industrialization together are growing demand for fasteners

in the region. Construction in the region, mainly in UAE and KSA, is expected to increase fastener demand in the market, mainly due to increasing government funding for large scale infrastructure and residential construction.

While UAE is the largest fastener exporter in the region, this country has recorded the highest value of imports in the region, too. Last year, more than USD 356 million of fasteners, imported by UAE, were mainly from China, India, USA, Germany, UK and Taiwan. Saudi Arabia, as the second largest market in the region, imported about USD 276 million of fasteners last year. The key exporters to KSA market are China, USA, India, Japan, UK, Germany and Taiwan.

Looking at the fastener machinery trade statistics, KSA has recorded the higher imports value last year, compared with the UAE. Saudi Arabia imported more than USD 30 million worth of machinery (HS CODE: 8463) in 2018, while UAE registered less than USD 16 million imports in the same year. The export value registered by UAE was only USD 2.5 million and USD 1.7 million by KSA.

In summary, physical capital investment, greater exposure to trade, competition in the manufacturing sector, and aggressive advertising through various channels are factors affecting the growth of this market in the Middle East. The setting up of large industrial parks in the region specifically in UAE and Saudi Arabia is on the rise and it is boosting countries' manufacturing development.

All these factors could bring good opportunities for investors and manufacturers who are planning to start their business in this region or move their operations to the Middle East to reach this lucrative market. ■

