

MENA Fastener Market and Investment Opportunities

中東和北非扣件市場及投資機會

by Behrooz Lotfian

MENA Introduction¹

The International Monetary Fund (IMF) expected the real gross domestic product (GDP) of the Middle East and Central Asia to grow by 4.6% in 2022, according to the IMF's Regional Economic Outlook report for April 2022. Moreover, the Middle East and North Africa (MENA) region's GDP growth is projected to ease to 5% in 2022 from 5.8% in 2021, which still marks an "upward revision" of 0.9 percentage point (pp) from October 2021, the report highlighted.

This highlights an improvement in the outlook for oil exporters as well as in growth for Egypt during the first half (H1) of the fiscal year (FY) 2021/2022. Accordingly, Egypt's GDP growth is likely to rise to 5.9% in FY 2021/2022, compared to 3.3% in FY 2020/2021. The North African country's real GDP for FY 2022/2023 is expected to grow 5%, the report added. As per the GDP growth for the GCC countries, the IMF forecast it would accelerate to 6.4% in 2022 from 2.7% in 2021, representing a 2.2 pp upgrade from last October. Inflation in the GCC countries is projected to record 3.1% in 2022, compared to 2.2% in 2021, the report showed. Regarding the world outlook, food prices are forecast to rise by around 14% in 2022 and by 5.7% in 2023.

MENA Fastener Market

The total fastener export of MENA was USD 753.1 million and the total import was USD 1,724 million in 2021. The numbers demonstrate that the total import of fasteners will be more than USD 1.8 billion and the export value will be around USD 790 million in 2022.

Turkey:

Turkey has a population of 83.4 million. Its GDP is USD2.5 trillion, a 1.8% growth in comparison with 2021. Its GDP per capita is USD30,253, inflation is 12.3%, and foreign direct investment was USD7.9 billion in 2021. **31% of the imported fasteners and 86% of the exported fasteners belong to Turkey in MENA region**². Turkey's economic freedom is the 107th freest in 2022. Turkish economy grew slowly from 2017 through 2020 but picked up in 2021.

¹ <https://www.zawya.com/en/markets/gdp-in-middle-east-central-asia-likely-to-grow-46-in-2022-imf-kjrh0m0w>

² https://www.trademapp.org/Country_SelProduct_TS.aspx?nvpm=1%7c%7c22%7c%7c7c7318%7c%7c%7c4%7c1%7c1%7c2%7c2%7c1%7c3%7c1%7c1%7c1

When we look at Turkish fastener manufacturing sector, even with all the challenges, it has still grown by 10% over the last two years. **Turkish fastener market currently produces around 1 million tonnes and it is predicted that it will be 2 million tonnes in the next 5 years³. Turkey can double its numbers because of its automotive manufacturing industry, white goods and furniture industries.**

The Automotive Manufacturer Association (OSD) announced that vehicle sales of 68,220 units in May 2022 represented an 18.6% increase over May 2021 and the production increased by 25.5%⁴.

Turkish furniture industry aims to boost its exports to USD 6 billion (TL 81.39 billion) in 2022, head of the Furniture Industry Businessmen Association (MOBSAD) Nuri Gürcan said, pointing out that the sector closed last year with exports worth USD4.3 billion⁵.

White goods: revenue in the household appliances segment is projected to reach USD1.39 bn in 2022. Revenue is expected to show an annual growth rate (CAGR 2022-2025) of 29.64%, resulting in a projected market volume of USD 3.02 bn by 2025. With a projected market volume of USD 102,300 million in 2022, most revenue is generated in China. In the household appliances segment, the number of users is expected to amount to 34.5 million by 2025. User penetration will be 30.3% in 2022 and is expected to hit 39.8% by 2025⁶.

UAE:

The United Arab Emirates' economy is the 33rd freest in 2022. The United Arab Emirates is ranked 1st among 14 countries in the Middle East and North Africa region. UAE population is 9.9 million, its GDP is USD 650.8 billion and its negative growth is -5.9%. Its GDP per capita is USD58,783 and inflation is -2.1%. Its foreign direct invest is USD19.9 billion. **17.8% of the imported fasteners and 9% of the exported fasteners belong to UAE in MENA region⁷.**

Automotive: statistics show 281.02 cars in operation per 1,000 population in the United Arab Emirates through 2025. It was 259.47 in 2021 and it will be 265.39 in 2022. Cars in this context do not take into account vans or trucks⁸.

The other industries: **The UAE's manufacturing growth is projected to accelerate from 1.4 percent in 2021 to 4.3 percent in 2022 and 5.2 percent next year**, according to UBS' latest report⁹.

Saudi Arabia :

Saudi Arabia is the 118th freest economy in 2022. Saudi Arabia is ranked 9th among the 14 countries in the Middle East and North African region. Its population is 34.8 million with USD1.6 trillion GDP; and therefore, its GDP per capita is USD46.811. The country had a 3.4% inflation in 2021 and it could absorb USD 5.5 billion foreign direct investment. Most fastener consuming manufacturing production (e.g., automotive, furniture, home appliance) in Saudi Arabia increased 25.10 percent in April of 2022 over the same month in the previous year. These manufacturing production in Saudi Arabia is expected to be 3.50 percent by the end of the 2nd quarter of 2022. In the long-term, Saudi Arabia mentioned manufacturing production is projected to trend around 3.00 percent in 2023 and 10.50 percent in 2024¹⁰.

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Other players:

In terms of import the other countries in MENA are:

Importers	2021 (Unit: 1,000USD)	Share of MENA
Israel	184,388	10.7%
Egypt	96,813	5.6%
Iran	84,963	4.9%
Iraq	68,577	4.0%
Qatar	59,731	3.5%

In terms of export, Turkey and UAE have 95 % of MENA export share.

Last Word

To lose post-pandemic opportunities in MENA region is not excusable for investors. For example: Not only 71% of MENA manufacturers expect to see revenues return to pre-pandemic levels by 2022 or earlier but also 76% of MENA executives companies plan to increase investments in technology. The segments most likely to actively pursue acquisitions in the next 12 months are automotive and transportation (45%), manufacturing (41%), financial services (39%), real estate and construction (36%), and oil and gas (28%)¹¹.

³ <https://www.fastenerandfixing.com/insight/turkey-continues-to-grow/>

⁴ https://www.marklines.com/en/statistics/flash_sales/automotive-sales-in-turkey-by-month

⁵ <https://www.dailysabah.com/business/economy/turkish-furniture-industry-aims-to-export-6b-in-2022>

⁶ <https://www.statista.com/outlook/dmo/e-commerce/electronics/household-appliances/turkey>

⁷ https://www.trademapp.org/Country_SelProduct_TS.aspx?nvpm=1%7c7c22%7c7c7c7c318%7c7c7c4%7c1%7c1%7c2%7c2%7c1%7c3%7c1%7c1%7c1

⁸ <https://www.statista.com/forecasts/1152132/car-parc-forecast-in-the-united-arab-emirates>

⁹ <https://www.khaleejtimes.com/business/uae-economic-growth-to-accelerate-in-2022-2023-swiss-bank>

¹⁰ <https://tradingeconomics.com/saudi-arabia/manufacturing-production>

¹¹ https://www.ey.com/en_qa/news/2021/04/81-of-mena-executives-anticipate-growth-and-investment-opportunities-to-come-from-the-middle-east