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Insights into the UAE Manufacturing Industry

UAE Manufacturing Growth and Trends Factors

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Introduction

Manufacturing is poised to assume an increasingly pivotal role in the UAE's economy. Presently, the sector contributes approximately 10% to the nation's GDP, with ambitious plans to elevate this to 25% by 2031 under the operation 300bn initiative. This decade-long strategy, spearheaded by the Ministry of Industry and Advanced Technology, aims to bolster the sector's contribution. The program seeks to expand industrial GDP from AED 133 billion to AED 300 billion by fostering innovation, enhancing R&D investment, and supporting over 13,500 SMEs.

The strategy prioritizes the development of key sub-sectors, including food and beverage (F&B), pharmaceuticals, and aerospace. Additionally, the UAE has recently enacted a new industrial law designed to provide the sector with greater flexibility in adopting policies that support manufacturing activities and create incentives for companies to enter the market. The Minister of Industry and Advanced Technology highlighted that the industrial sector's contribution to the UAE's GDP has surged by 57%, with projections exceeding AED 210 billion. He also noted that UAE industrial exports have experienced robust growth, increasing by 63%, and are anticipated to surpass AED 190 billion since the Ministry's establishment in 2020. Alongside the 'Operation 300bn' project, other initiatives include the "Make it in the Emirates" campaign, which invites local and international investors, innovators, and developers to join the UAE on its industrial growth journey, underscoring the nation's attractive value proposition.

The minister emphasized the crucial role of the 'Make it in the Emirates' Forum in driving sustainable economic growth. Over its first three editions, the Forum successfully identified over 2,000 products valued at AED 143 billion for local manufacturing. To date, AED 7 billion in purchases have been secured, and the Forum has attracted AED 20 billion in new industrial investments. The upcoming edition, set to be the largest and most comprehensive yet, will be held from May 19th to 22nd, 2025, at ADNEC, Abu Dhabi.

Key sectors powering Dubai's manufacturing success & diverse activities

Dubai's manufacturing sector is vibrant and dynamic, propelled by several pivotal industries. Historically, heavy industries have been the foremost contributors to the UAE's manufacturing value added. This is succeeded by the chemicals, rubber and plastics, machinery and equipment, and food and beverage sectors.

It is truly remarkable to witness Dubai evolving into a thriving center for heavy industries and plastic manufacturing, highlighting the sector's vigor and expansion.

Value added in manufacturing sub-sectors

	AED bn		%
Sub-sector	**2018**	**2031**	**Growth**
Space	0	1	
Hydrogen	0	4	
Medical technology	0	3	
Pharmaceuticals	2	5	150
Electrical equipment	4	10	150
F&B	10	31	210
Machinery & equipment	14	37	164
Chemicals, rubber & plastics	31	69	123
Heavy industries	32	71	122
Others	40	70	75

The outlook for growth across all manufacturing sub-sectors is promising. Notably, the food and beverage (F&B) sector stands out, with an impressive projected expansion of 210% by 2031.

The Food and Beverage (F&B) sub-sector has gained significant attention post-Covid, driven by the UAE's anticipated population growth and long-term objective of domestic food security. Additionally, the sector is expected to benefit from the UAE F&B digital platform, launched in September 2023, which connects investors, manufacturers, financial institutions, and trade partners through a digital system.

Metals

Abu Dhabi and Dubai have prioritized primary metals and high-value downstream processing in their industrialization, led by enterprises like Emirates Global Aluminum, Emirates Steel, and Ducab.

Building materials

The U.A.E., led by Ras Al Khaimah, has strong construction-material industries such as cement, ceramics, and glass, with brands like Arkan, RAK Ceramics, and Guardian Glass.

Chemicals

Abu Dhabi serves as the hub for the U.A.E.'s significant chemicals industry, highlighted by Borouge, a joint venture between Abu Dhabi National Oil Company and Borealis.

Pharmaceuticals

The U.A.E.'s pharmaceutical sector is growing through local U.S. collaborations with firms like MSD and Pfizer, led by Julphar, a key regional manufacturer with a broad global reach.

Food and beverages

The U.A.E. is home to a diverse array of food and beverage manufacturers, including Agthia, Al Foah, and local partners of global giants The Coca-Cola Company and PepsiCo.

Aerospace and defense equipment

The U.A.E. is advancing its aerospace and defense sector with Strata, a Boeing and Airbus supplier, and EDGE Group, which develops drones, weapons, and cybersecurity solutions.

Advantages of city-specific manufacturing for businesses

- **Dubai:**
  Renowned for its prowess in logistics and exports, Dubai boasts major industrial zones such as JAFZA and Dubai Industrial City. The city is ideally suited for high-tech industries, food processing, and logistics-centric manufacturing.

- **Abu Dhabi:**
  Home to KIZAD, Abu Dhabi emphasizes heavy industries like metal production, petrochemicals, and aerospace. The emirate provides incentives including low-cost energy and expansive industrial facilities.

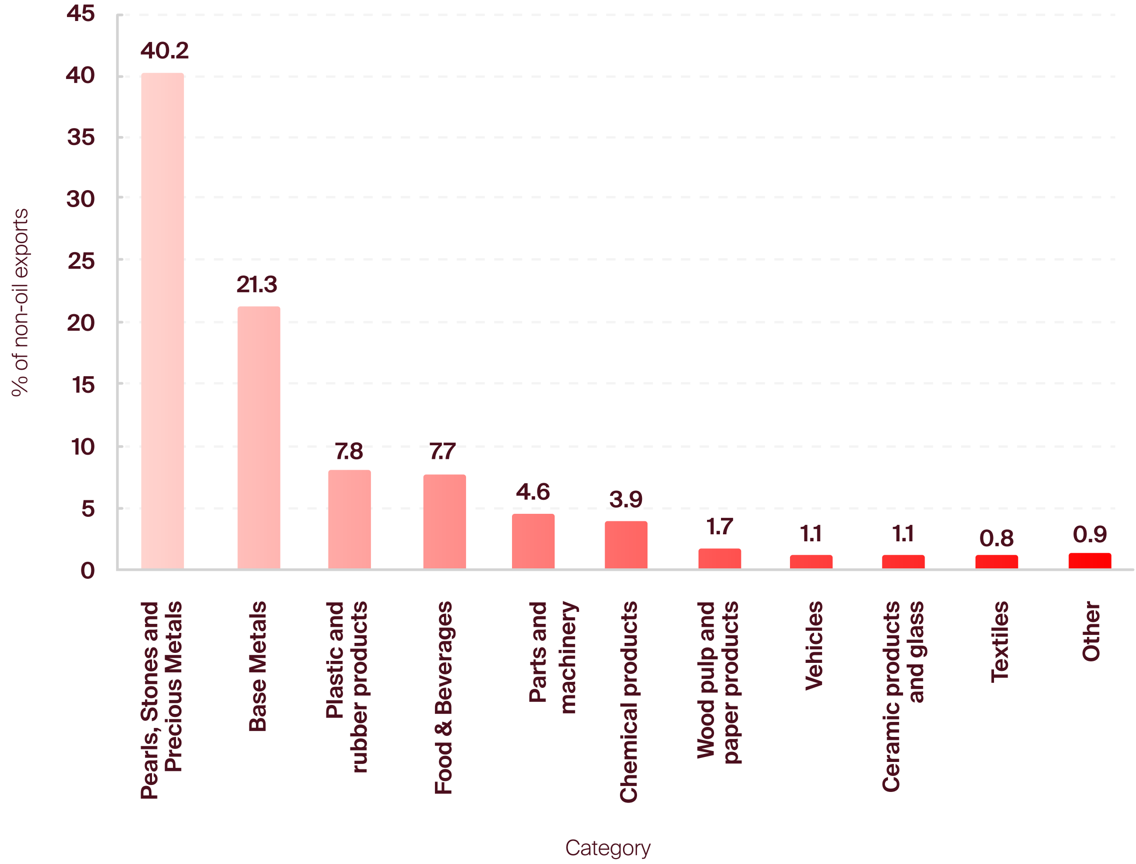
- **Sharjah:**
  Celebrated for its cost-effective manufacturing, particularly for SMEs, Sharjah features the Sharjah Airport Free Zone (SAIF) and Hamriyah Free Zone, which attract small and medium-sized manufacturers.

- **Ras Al Khaimah (RAK):**
  Favored for its affordable manufacturing options, RAK excels in construction materials, ceramics, and light manufacturing. The emirate offers economical land and business-friendly regulations.

Manufactured goods constitute a significant portion of the UAE's non-oil exports

The Operation 300bn strategy aims to enhance the global competitiveness of UAE exports, aligning with the nation's goal of diversifying away from oil. In recent years, non-oil exports have become increasingly vital to the UAE's trade activities.

Share of non-oil exports (full year 2021)



Although categorizing non-oil exports by specific types of goods is challenging, a substantial share likely originates from the manufacturing sector. The largest segments include pearls, stones, precious metals (40.2%), and base metals (21.3%). While some of these exports are raw materials, trade classification codes do not differentiate between manufactured, semi-manufactured, and raw goods. Other significant non-oil export categories are plastic and rubber products (7.8%) and food and beverage (F&B) products (7.7%).

Among the smaller non-oil export categories, plastic and rubber products, along with F&B, have shown robust growth. Between Q3 2021 and Q3 2022, exports in the rubber and plastics category increased by 24%, while F&B exports grew by 22% year-on-year. Despite this sharp growth, the share of F&B in non-oil exports remains below the levels seen in 2018 and 2019.

Government initiatives to propel manufacturing

The UAE government has introduced several strategic initiatives to stimulate industrial growth:

Operation 300bn

This initiative aims to elevate the industrial sector's GDP contribution and bolster local manufacturers and SMEs.

Make it in the Emirates

Designed to attract both domestic and international companies to establish manufacturing units, thereby reducing dependency on imports.

Emirates Development Bank (EDB) Fund

Allocates AED 30 billion to support manufacturing enterprises, with a particular emphasis on SMEs.

Dubai industrial strategy 2030

Focuses on advancing high-tech manufacturing, promoting sustainability, and drawing global investors.

The UAE offers a compelling proposition for international investors aiming to set up manufacturing operations. Boasting investor-friendly regulations, state-of-the-art infrastructure, and robust governmental backing, the nation is emerging as a premier global industrial center. From pioneering high-tech innovations in Abu Dhabi and logistics-centric manufacturing in Dubai to cost-efficient production in Ras Al Khaimah and Sharjah, the UAE provides a wide array of opportunities for manufacturers of all sizes.

About Beehive:

Founded in 2014, Beehive is the first regulated and leading digital SME lending platform in the MENA region. Our award-winning platform connects businesses seeking funding with global investors who can fund their growth. Beehive is operational in the UAE, KSA, and Oman and is regulated by the DFSA in the UAE and the FSA in Oman.

With a deep culture of innovation and excellence, Beehive is helping bridge the gap between SMEs and Investors. Beehive has become a trusted partner for SMEs across the GCC.

Learn more at : **www.beehive.ae**

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