

Auto Trade Sector in UAE's Flagship Free Zone Grows Four-Fold

Jafza's automotive industry trade has achieved a whopping four-fold growth in the last ten years. With forecasts revealing vehicles sales to climb 7 million in the MENA region by 2020, this could drive up the demand for automotive parts and components, which in turn could further bolster the automotive sector in the UAE, particularly in Jafza.



DUBAI, UAE – The automotive industry trade in Jebel Ali Free Zone (Jafza), the UAE's flagship free zone, has achieved a staggering four-fold growth in the last decade, escalating from USD 1.1 billion in 2004 to USD 4.7 billion in 2013.

This information was revealed on the third week of September 2014 by Talal Al Hashimi, Chief Operating Officer of Economic Zones World (EZW), at the EZW Customer Forum for the automotive sector – a series of industry events commenced by Jafza to gather key players, Jafza management and stakeholders to deal with issues and have a constructive discussion on how to join forces to improve combined competitiveness by taking advantage of the budding opportunities in the region and tackling industry challenges in an effective and efficient manner.

Commenting on the impressive growth of the automotive industry, Ibrahim Mohamed Al Janahi, Deputy CEO of Jafza and Chief Commercial Officer of EZW, said that the vibrant growth in the auto sector is a reflection of the future growth it is going to experience. According to him, the dynamic mood in this sector in the GCC and the MENA region provides massive, long-term growth opportunities to existing companies based in Jafza, as well as the new multinationals who aim to capitalize on the globe's most attractive market for the auto sector. Al Janahi added that the total vehicles sales in the MENA region are projected to be close to four million annually, which may escalate to approximately 7 million by 2020. In the next three years, the auto part market in this region is anticipated to achieve double digit growth.

Al Janahi was pertaining to a recent report from the Boston Consulting Group that forecasted the above vehicle sales growth by 2020. In accordance with Frost and Sullivan, the overall number of pick-ups and registered cars in the GCC is estimated to record a CAGR of 6.3 percent from 2012 to 2017, with a total of 6.36 million units in 2017. Over the same forecast period, the number of buses and trucks on the road is anticipated to climb 1.42 million in 2017 – an increase that will positively affect the aftermarket, driving up the demand for auto components and services.

The notable growth in the automotive industry is hugely propelled by the region's growing per capita income, high national wealth and huge government investment on dynamic private sector and building economic and social infrastructure.

This is the reason behind the increased demand for luxury cars in the last three years. In 2013, Fiat Chrysler's Maserati, Jaguar Land Rover, Bentley, Porsche, Rolls-Royce and BMW have achieved 80 percent, 46 percent, 45 percent, 26 percent, 17 percent and 15 percent sales growth in the Middle East. The regional headquarters of these companies are in Jafza.

In that same year, the sales of new vehicles in the UAE rose 16.7 percent, showing restored economic confidence, in accordance with Business Monitor International (BMI), which predicts continued annual growth of almost 20 percent in the industry over the 2014-2017 period. Further contributing to the success of the automotive industry in the Free Zone and the entire country was Dubai's bid to host World Expo 2020.

Meanwhile, Frost and Sullivan claims that the GCC market for tires, batteries and auto parts will grow at a CAGR of 14.9 percent to reach \$13.46 billion by 2017. With a solid and well-developed re-export trading industry, especially in auto parts due to the shortage of a committed automotive manufacturing industry, this perfectly positions Jafza as a place where companies can search for a local supply niche, as the UAE continues to establish its position as a leading hub for the re-export of automotive aftermarket parts.

According to BMI, the Middle East is the fastest growing market in the globe for automotive products. In a 2013 report citing Dubai Custom's statistics, the automotive parts trade in Dubai has increased over 27

percent in the last four years. The key trans-shipment destinations for auto-related products from the emirate were Afghanistan, Saudi Arabia and Iran. Its automotive exports were led by spare parts and accessories, engine parts, body parts and tires.

It is also worth mentioning that in 2012, the U.S. aftermarket industry recorded 3.5 percent increase. This is why several global brands such as Scania, Caterpillar, Mitsubishi, Toyota, Honda, GM, Ford and Mercedes have established their regional fabrication units and parts distribution centers in Jafza. In the recent years, the Free Zone has attracted a huge number of companies engaged in fabrication, designing and manufacturing of various industry-specific vehicles such as emergency medical equipment and ambulances used for fire-fighting, hospital care, construction, emergency and other security vehicles, including armored vans and other security vans.

So far, the automotive industry is one of the most buoyant business sectors in Jafza. It is home to 625 automotive companies and produced a trade worth \$4.7 billion (AED 17 billion) in 2013, posting 13 percent growth in 2012. In the last decade, the companies in the industry have increased almost four-fold.

The Free Zone has also collaborated with leading automotive companies and Dubai Customs in combatting the threat of counterfeit auto products, which are extremely rampant today not only in the UAE but also in other countries.