

## آفاق صناعة ألواح الجبس في دولة الإمارات

### Potential for Gypsum Board Panel Manufacture in U.A.E

Gypsum board is a panel made of non-combustible material viz. gypsum with paper surfaces around it. It differs from competitive products made from wood e.g. plywood, hardboard and fiberboard insofar it is non combustible. It also has the advantage that its joints and fastener heads are capable of providing a uniform monolithic surface. Gypsum is a mineral found in sedimentary rock formations.

Production of gypsum boards takes place from crushing gypsum rock into a fine powder, heated to remove its water, and the result is used as a base to make gypsum plaster, gypsum board and all other gypsum products. Board panels are produced by mixing gypsum with water and other additives, where, this mix is fed between layers of paper on a board machine. The gypsum reverts to its original rock state and the paper becomes chemically bonded to the core content.

#### Estimated demand for Gypsum Board Panels

Year	Quantity			Value
	Thou. Tons	Thousand sq. meters	Million Sheets	Million AED
2004	169.4	16,000	5,600	120.0
2005	211.8	20,000	7,000	150.0
2006	264.7	25,000	8,750	187.5
2007	338.8	32,000	11,201	241.0
2008	413.0	39,000	13,651	292.5
Growth 2007-08	22%			21%
Avg. Growth 04-08	25%/yr			25%

Source: U.A.E. Trade Statistics & (estimates using quantity conversion factors)

U.A.E. – Gypsum is primarily used for internal walls and ceilings in the construction industry, and thus has a huge demand in U.A.E. Currently, the entire demand for gypsum panels is met by imports. The panels are used in the construction of interior “dry walls” in the buildings.

Growth in demand – Demand for gypsum products has been grown commensurate with the growth of construction in the country. The country consumed 413 thousand tons of gypsum products last year. Most of these were gypsum panels. Trade statistics, unfortunately, do not provide figures in further detail of gypsum products. Demand more than doubled in the last four years. The average growth rate was 25% per year in this period, for both net imports by weight and value. The same growth rate for both weight and value is also an indicator of very stable prices.

Supply of sources – According to market sources, the chief source of supply is Saudi Arabia, which caters to almost three fourth of the demand and imports of gypsum panels in U.A.E. Interestingly, these imports come from one large factory in Riyadh in Saudi Arabia. These imports usually come in to the country via road/truck transport.

Suitability for SME manufacturing – Given this high demand in the country, there is an adequate critical mass for commencing production in the country. A factory can be set up with as little as 20 thousand tons production per annum, which is a mere 4% of the current annual demand – and production is well suited to the small and medium enterprises (SME) sector. Manufacturing started a little late given the booming construction industry, but the first factory was founded in 2006 in Ajman, though no production is reported yet. However, manufacturing investments are now underway, and several new factories are planned.

Prices – There is demand for two types of gypsum panels in UAE, viz. timber inch and square inch. Square inch is more popular as it is easier to fix and remove. The prices difference between the two is rather small, namely only AED 4 per panel. Gypsum panels in U.A.E. are sold in bundles of 60 panels each.

Prices of gypsum panels in key sizes

Size	Price
120 x 240 cm	AED 34-38
120 x 280 cm	AED 41-45
120 x 300 cm	AED 47-51

Source: Market sources

Manufacturing potential – There is a huge potential for gypsum panel manufacture based on import substitution. An investor can tap into the entire domestic demand with no domestic competitors (yet). Domestic supplier would bring benefits to construction companies with lower lead times, lower transportation costs and customization. With rising demand, as many as 5 new plants are underway in the country, spread across Abu Dhabi, Dubai, Ras Al Khaimah, Ajman and Fujairah. Leading global manufacturers e.g. BPG, Saint-Gobain, ANC Holdings and Knauf recognize the potential, are entering the market with domestic partner companies.

Upcoming manufacturing - The proposed production ranges from small plants with a capacity of mere 20,000 tons to half a million tons. The product range of the new plants will include dry wall partitions, false ceilings, gypsum vinyl ceiling tiles, mineral fiber

acoustic ceilings, decorative gypsum ceilings and even the production of gypsum powder. The planned capacity of all these plants is rather high and together exceeds the total domestic demand and consumption. Consequently, the export market is rather critical for their capacity utilization.

Global market and variations – In developed countries, drywall represents by far the dominant market for gypsum. In developing countries, however, the dominant use for gypsum is as a cement additive. Globally, drywall is of far greater significance than gypsum-based building plasters. Drywall demand is concentrated in North America (48 % of global sales in 2007), but is expected to grow slower than all other regions due to maturation of the market and slower growth in US construction spending. Prices of gypsum products in US have fallen reportedly by as much as 40% since the 2006 peak because of the financial crisis. Meanwhile, the EU region remains under-served with gypsum products and has considerable room for growth.

Global demand outlook - Global demand for gypsum panels for drywalls is expected to expand 4.5% each year till 2012. Global gypsum based building plaster sales are expected to rise 5.2% per annum till 2012 to 35 million metric tons. Growth will vary greatly by region, depending on a host of factors such as building construction spending and economic growth prospects, as well as trends in local construction techniques.

Export opportunities - Asia/ Pacific region is likely to be particularly strong (excluding Japan). China and India will perform especially favorably, with countries such as Indonesia, Thailand and Vietnam also registering healthy gains in demand. Drywall sales in Western Europe will register gains less than the world average, but exceeding most other developed markets.

Importance of the EU region - Demand for drywall in the EU region averaged 3.4 square meters per person in 2007, well below levels in other developed areas such as the US and Canada (11.1 and 10 square meters per person, respectively). Gains will be particularly strong in countries such as Portugal, Italy and Spain, where drywall use is increasingly being substituted for traditional wet construction techniques. Western Europe will remain the world's largest market for gypsum-based building plasters till 2011.

Outlook – Thus, if U.A.E. production is price competitive, which it should be because of lower labour costs, there are a host of export opportunities. The under-served EU market sits very well with a strong Euro, making the Euro zone potentially a very attractive market. Meanwhile, the Asian economies, particularly India and China, have shown considerable resilience to the global financial crisis, and can also be profitable destinations. Drywall recycling is expected to become more common in the future and also has potential here. Such efforts are being pioneered in Canada and Denmark.