

## صناعة الأحذية في دولة الإمارات

### The Footwear Industry in UAE (2006-10)

The UAE footwear industry is worth around AED 1.3 billion, namely the demand for its products in 2010 based on net import figures. This sector has continued to grow strongly in recent five years, even though growth was somewhat tempered after the explosive growth during 2000-05 when it grew at an almost 23% annual rate. It seems to be undergoing structural changes where growth is turning in favor of higher cost products. The sector is overwhelmingly dependent on imports to cater to a high domestic demand. A small but very significant footwear manufacturing industry has emerged in UAE since the nineties which has captured the niche demand for footwear specific to the region and has also made steady progress in exporting within the AGCC region.

Table 1 – Net Imports, UAE, 2006-10 , Value in 000’AED.

Code	Description	2006	2009	2010	Growth* 2006-10	Growth 2009-10
64022000	Non-leather excl sports.	44324	38495	44126	-0.1%	14.6%
64029900	Outer non-leather, n.e.s.	326534	345737	371869	3.3%	7.6%
64031900	Sports (excl ski) any type	31408	44822	69907	22.1%	56.0%
64032000	Fully leather excl sports	5106	42185	61917	86.6%	46.8%
64034000	Outer non-leather	56403	76479	81449	9.6%	6.5%
64035110	Men fully leather, with leather straps	40386	87756	131072	34.2%	49.4%
64035120	Women leather, with leather straps	47481	61275	88847	17.0%	45.0%
64035910	Men leather, without leather straps	69823	114616	125720	15.8%	9.7%
64035920	Women leather, w/out leather straps	21402	118736	108459	50.0%	-8.7%
64039910	Others	113212	195860	179574	12.2%	-8.3%
<b>Total</b>		<b>756079</b>	<b>1125961</b>	<b>1262940</b>	<b>13.7%</b>	<b>12.2%</b>

Source: Dubai Customs Department

\*Average of 4 years (Geometric Mean)

Recent trends - The footwear industry in UAE grew steadily at an impressive average rate of almost 14% per year between 2006 and 2010. The last year 2010 registered a 12% growth. Only 2009 was the year of decline, when demand fell by 7% in wake of the international financial crisis which affected most sectors worldwide. Growth took place across all the segments but the segments to grow the fastest were the non-leather “sports” footwear.

Supply - China & Italy are the leading footwear supplier and it dominates the larger non-leather trendy/sports footwear. The upscale leather footwear (e.g. Arab sandals) has a greater share of European manufacturers, though they are being increasingly replaced by Far East suppliers.

Quantity trends - However, whereas growth has been unambiguous in value terms, there the trends by quantity have been somewhat ambiguous. Demand for footwear by weight, or translated into as number of pairs, saw a decline for four consecutive years 2006-09, falling by almost 26% from 85 thousand tons to 63 thousand tons. Only in 2010 there was a positive turnaround in net imports of footwear quantity, increasing by 3%. 2009 was the worst year when there was a decline in both volume and value, the year of the global economic crisis and slowdown.

Table 2 - Net Imports, Re-exports, Footwear, UAE 2006-2010

SITC Code*	NET IMPORTS (Tons & Growth in %)					RE - EXPORTS	
	2006	2009	2010	Growth# 2006-10	Growth 2009-10	Value 000 AED	Weight Tons
64022000	8,038	5,830	7,794	-3.0	33.7	27,412	3,325
64029900	75,582	45,523	43,656	-42.2	-4.1	74,064	8,654
64031900	732	1,646	1,484	102.7	-9.8	4,026	185
64032000	-4,263	-1,590	-785	n.a.	n.a.	14,080	2,208
64034000	3,556	5,039	5,677	59.6	12.7	9,539	564
64035110	-11	859	1,328	n.a.	54.6	5,272	254
64035120	472	864	995	110.8	15.2	1,515	143
64035910	-801	951	1,997	n.a.	110.0	10,256	479
64035920	-795	1,042	1,025	n.a.	-1.6	2,021	44
64039910	2,608	2,937	1,717	-34.2	-41.5	9,368	288
<b>Total</b>	<b>85,118</b>	<b>63,101</b>	<b>64,888</b>	<b>-23.8</b>	<b>2.8</b>	<b>157,553</b>	<b>16,144</b>

Source: Dubai Customs Dept. \*See previous table for descriptions, #Average of 4 years

Structural changes – The decline in quantity demand but rapid rise in value terms signifies a changing structure and content of demand. Demand has clearly shifted in favour of higher cost products. While, earlier domestic demand rose because of an increasing population and also an increasing propensity to consume, the growth in the past five years can be attributed not so much to a population rise or a rising per capita demand of footwear, but perhaps to a shift in favour of high-end products and increasing fashion consciousness of consumers. Footwear is increasingly a fashion product, with multiple pairs ownership by consumers and demand is not based on wear and tear replacement.

Market structure - A sizeable part of the footwear demand is for region-specific products and not a part of the generic footwear range. These are the sandals, as worn by the AGCC Arab citizens, specifically produced for the AGCC region and usually not in demand by other nationality groups. Such products are typically footwear with high quality leather uppers, with outer soles of rubber or plastic and form the upper end of the market.

On the other end, there is a large low-cost section consisting of casual plastic or rubber footwear, which are almost entirely imported from the Far East. Industry resources report that the domestic Arab nationals have a higher propensity to consume footwear, around 6 pairs per annum for UAE nationals, comparing with 4 pairs per annum for expatriates. The leather footwear products are characterized by a number of brands and companies. Trendy “sports” footwear is dominated by three leading US brands. Leather footwear market is less concentrated and characterized by smaller brands, producers and distributors.

Casual, sports and trendy footwear - Sport and leisure footwear with textile uppers form a major part of the footwear market, and the share of casual footwear has been increasing in recent times. Latest figures show that they now form the larger majority of footwear. Trends are a very major factor for consumer choice and purchase. This section of the market is characterized by branded products and strong promotion. These are usually Western brands but manufactured in the Far East, mainly China. Pure sports footwear itself is a small proportion of the market.

Re-exports - Footwear being a small and easily transportable items, lend themselves easily for re-exports. Roughly 20% of the imported shoes are destined for re-exports. However, this is by weight. In value terms, re-exports form only about 10% of the imports. This also indicates that re-exports are largely of low-cost footwear. Re-exports rose very sharply in the earlier part of the last decade, but since then have been stagnant. In fact, they have shown a little decline in the past two years, and possibly reflect the slowdown in the entire region.

Footwear manufacturing in the Gulf – Since there is a large demand for footwear products unique to the region, namely Gulf Arab sandals for men and women, a significant footwear manufacturing industry has developed, based on a niche demand specific to regional styles. The demand for local style sandals is too large to be entirely manufactured in distanced factories, and this has opened room for domestic manufacture with advantages of reduced lead times, lower inventory, customized orders – even though the raw material and labour is imported.

Manufacturing in U.A.E. – There are 7 reported footwear manufacturers in U.A.E., two are located in Dubai, three in Ajman and one in Sharjah and Al Ain each. The first factory was set up in 1988, and the others in the nineties. The estimated capacity is above 250,000 pairs per annum. Though as in the case of the garment industry, production is labour intensive with semi-mechanized. The cutting is carried out by machinery, but the assembly line involving stitching etc. requires a substantial labour input.

Table 3 - UAE Footwear Exports, 2006-10.

SITC Code*	000' AED	Annual Growth
2006	3367	n.a.
2007	5498	63.3%
2008	7794	41.8%
2009	8405	07.8%
2010	6620	-21.2%
Average Growth		18.4%

Source: Dubai Customs Department

Exports – Exports have been rising and have reached significant levels, and have grown at an impressive average rate of 18% per year since 2006. Though exports are only 4% of the re-exports, they have a significant market share in the Arab sandals segment in the higher end of the market. Though exports fell in 2010, this can be considered a temporary aberration or a correction, as there was very high growth in 2007 and 2008. Regional demand may have been affected by the 2009 crisis whose lingering impact was felt in the following two years, as also reflected in the fall in re-exports.

Outlook – The footwear market seems poised for further growth, in both the trading as well as manufacturing sector. Manufacturing will remain in the upper end where the disadvantage of using imported higher labour is offset by higher value added. Environment concerns are not an issue as finished leather is always going to be imported and it is unlikely that any domestic tanneries are going to emerge. The lower end of the market is likely to see increasing domination by Far East producers.