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Global Analysis Report

Business Environment

United Arab Emirates

April 2014

EXECUTIVE SUMMARY

- The United Arab Emirates (UAE) continues to have a strong economy in the region, growing by 4.4% in 2012 and reaching a gross domestic product (GDP) of US$372.9 billion.

- Increased spending on the economy and infrastructure makes the UAE an attractive country for investment. Recent changes to legislation make opening a business in the UAE fast and simple, and increasingly business-friendly.

- Retail market sales were US$48.3 billion in 2012 and are expected to reach US$67 billion by 2018. The shopping malls and modern infrastructure in Dubai continue to attract shoppers from around the world.

- The foodservice industry continues to benefit from the fast-growing cities of Dubai and Abu Dhabi, as construction continues on a number of malls, convention centers and modern hotels.

- With 88% of the UAE's population being foreign, new consumer groups will create their own demand and consumer preferences, in retail and foodservice industries, creating opportunities for international companies.

- The UAE will continue to be one of the most attractive and prosperous countries in the region up to 2017, and will continue to serve as a hub for the rest of the Middle East and Northern Africa.

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Growing Forward 2

Canada

COUNTRY SNAPSHOT

Over the past decade, the Emirati economy has shown significant growth, mostly due to high-volume oil exports. The UAE's dependence on oil, however, has left the economy vulnerable to the 2009 global economic recession. That year, the GDP fell by 4.8%. The economy has since recovered with a positive GDP growth in 2011 and 2012 of 4.2% and 4.4% respectively. The slower paced growth of the economy has allowed for better control over inflation, which dropped from 12.3% in 2008 to 1.6% in 2009. Inflation is expected to stay below 3% between 2013 and 2017.

In order to reduce the country's dependence on oil, UAE authorities have tried to diversify their economy by broadening horizons into areas such as finance, construction and tourism. The United Arab Emirates' GDP is expected to continue to grow at a rate between 3% and 4% over the forecast period of 2013-2017, reaching US$433.4 billion by 2017.

United Arab Emirates Economic Overview
Historic 2008-2012

Categories	2008	2009	2010	2011	2012
Total GDP US$ million Current Prices - Fixed 2012 Exchange Rates	314,450.7	259,733.5	283,916.2	338,689.9	372,893.7
Real GDP Growth %	3.2	-4.8	1.3	4.2	4.4
Inflation %	12.3	1.6	0.9	0.9	0.7
Exports (US$ millions)	239,213.0	185,000.0	220,000.0	285,000.0	300,000.0
Imports (US$ millions)	177,000.0	150,000.0	165,000.0	205,000.0	220,000.0

United Arab Emirates Economic Overview
Forecast 2013-2017

Categories	2013	2014	2015	2016	2017
Total GDP US$ million Current Prices - Fixed 2012 Exchange Rates	378,912.4	392,441.1	403,480.0	417,002.3	433,412.2
Real GDP Growth %	4.0	3.9	3.8	3.5	3.4
Inflation %	1.5	2.5	2.5	2.7	2.9
Exports (US$ millions)	319,382.8	-	-	-	-
Imports (US$ millions)	237,545.4	-	-	-	-

Source for both charts: *Euromonitor, 2013*

TRADE

- The United Arab Emirates' processed food imports were valued at US$0.5 billion in 2011. Canada's share was 4.1%. The United Arab Emirates' processed food imports had an annual growth rate of 17.6% over the last three years.

- Canada's agri-food and seafood exports to the United Arab Emirates were valued at C$519.3 million in 2012. Top exports were canola, non-durum wheat, lentils, durum wheat, and barley. In 2012, Canada registered an agri-food and seafood trade surplus of C$509.3 million with the United Arab Emirates.

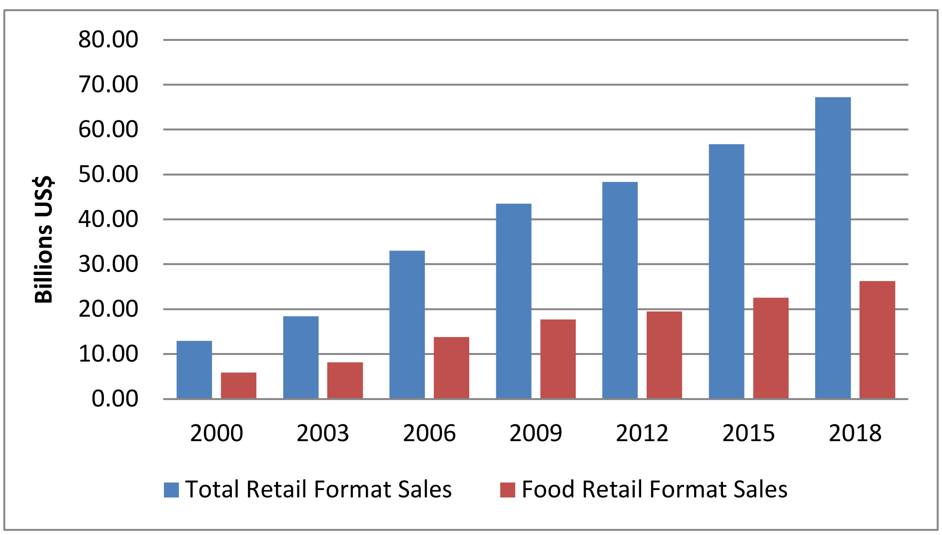
- The United Arab Emirates imported US$667.6 million of canola seed in 2011, of which Canada's market share was 94.3% (Global Trade Atlas, November 2013).

RETAIL ENVIRONMENT

Today, the UAE, particularly through Dubai, is one of the most attractive countries in the region. The city of Dubai is the commercial hub for the UAE and is becoming the gateway to the Middle East, Africa and South East Asia. It is equipped with modern buildings, bustling shopping malls and entertainment facilities, and a number of international conference centres, exhibitions and sporting arenas. The city has modern infrastructure with a fully automated metro, world-class airports and seaports, as well as a number of industry clusters in information technology, financial services and healthcare. The development of these infrastructures has created a need for product supply, presenting opportunities to companies looking to supply the various industries that continue to flourish.

Planet Retail estimates the total retail sales (grocery and non-grocery) in the UAE was US$48.3 billion in 2012 and is expected to reach US$67 billion by 2018. The food retail format accounted for sales of US$19.5 billion in 2012 and is expected to grow at a slower rate than the total retail format sales. The subcategory is expected to reach US$26.2 billion by 2018.

United Arab Emirates Retail Format Sales
Historic/Forecast 2000-2018



Source: *Planet Retail, 2013.*

The grocery retail market totalled US$7.7 billion in 2012 and is expected to grow at a CAGR of 9% to 2018 where it is projected to reach US$13 billion. The grocery retail market is also expected to continue to grow as traditional small-format grocers are replaced by larger hypermarkets and convenience stores. Only 25% of food products available at retail stores are produced within the UAE leaving a large segment of the retail markets reliant on importers and wholesalers. In order to address this need, some key retailers have partnered with companies to purchase food directly through them, bypassing importers and wholesalers.

In its forecast for 2013, Planet Retail stated that the Emke Group (LuLu International) has the largest grocery market share, with a total 5.7%. French chain Carrefour is not far behind with a market share of 4.9%, and Egypt's Spinneys accounts for 4.7%. While this last chain places third in grocery market share, it is the largest retailer based on the number of outlets, which totaled 74 in 2012.

Top 5 Grocery Retailers – United Arab Emirates 2013, Forecast

Company	Number of Outlets	Total Sales Area SQ. FT.	Average Sales Area SQ. FT.	Grocery Banner Sales (US$)	Total Grocery Market Share (%)
Emke Group (LuLu Intl.)	59	4,792,093	81,222	1,251,107,601	5.72
Carrefour	43	2,814,763	65,460	1,077,445,514	4.93
Spinneys	74	1,448,822	19,579	1,030,481,018	4.71
Al Safeer	44	1,323,961	30,090	558,072,727	2.55
Abu Dhabi Co-op	19	1,021,495	53,763	479,186,216	2.19

Source: *Planet Retail, 2013.*

FOODSERVICE ENVIRONMENT

The foodservice industry continued to see positive growth despite the global recession of 2009. In 2012, the industry had a market value of US$8.1 billion. The foodservice industry grew in value sales by 38.1% from 2009 to 2012 and further growth of 15.9% is projected to 2014, to reach a value of US$9.4 billion.

As coffee is one of Emiratis favorite drinks and having coffee is a favorite pastime, it is not surprising that almost 37.5% of the foodservice industry belonged to the cafés/bars subsector. Fast food (31%) and full service restaurants (30%) also accounted for a significant part of the foodservice industry. Growth in this sector has been attributed to the country's overall economic performance, with rising income levels. Another contributing factor is the role that shopping plays for UAE residents and visiting tourists, as shopping is a popular leisure activity. UAE residents spend several hours at shopping malls which provide a cool environment in such a warm country. This generally results in the consumption of at least one consumer foodservice drink, snack or meal. Finally, busy lifestyles have also increased the consumption in the foodservice industry as consumers have increasingly less time and prefer to spend it on leisure activities such as watching TV or spending time online, instead of cooking (Euromonitor).

Consumer Foodservice Sales in United Arab Emirates
Historic/Forecast in US$ Millions, Fixed 2012 Exchange Rate

Categories	2009	2010	2011	2012	2013[f]	2014[f]
Consumer Foodservice by Type	5,841.50	6,472.10	7,267.70	8,069.40	8,533.40	9,350.90
Cafés/Bars	2,165.40	2,380.10	2,706.00	3,028.40	3,403.90	3,821.40
Fast Food	1,776.00	1,932.00	2,189.30	2,484.30	2,398.90	2,606.30
Full-Service Restaurants	1,763.40	2,015.40	2,216.80	2,392.80	2,556.10	2,736.00
100% Home Delivery/Takeaway	116.7	122.6	132.6	140.2	149.9	161.6
Self-Service Cafeterias	10.4	11.5	11.8	12	12.4	12.8
Street Stalls/Kiosks	9.5	10.5	11.2	11.7	12.2	12.9
Pizza Consumer Foodservice	338.3	366.9	399.3	420.4	445	480.3

Source: *Euromonitor, November 2013* ***f*** *= forecast*

*****Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery/takeaway) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

Market Value and Growth of UAE foodservice by Location, Historic and Forecast

Subsector	2008	2012	2014[f]
Consumer Foodservice by Location	100%	100%	100%
Consumer Foodservice Through Retail	41%	44%	44%
Consumer Foodservice Through Lodging	28%	28%	29%
Consumer Foodservice Through Standalone	25%	22%	19%
Consumer Foodservice Through Leisure	4%	4%	4%
Consumer Foodservice Through Travel	3%	3%	3%

Source: *Euromonitor, 2013.* ***f****:forecast*

Retail sales accounted for the largest location of foodservice sales (44%). This is linked to the popularity and growing number of mall destinations, where consumers spend much time. Lodging locations, which are described as food establishments in hotels, accounted for a large proportion of sales over the past six years. The construction of new hotels and increasing tourism to the UAE could explain the large percentage of sales in this type of location. Finally, while travel accounted for less than 3% of overall sales in the foodservice industry, sales from this type of location are expected to continue to increase as investment in travel infrastructure continues, such with the Dubai metro.

In 2011, almost 88% of the country's population was made up of foreign citizens. The large number of foreign nationals in the United Arab Emirates creates strong opportunities for international companies, as many are affluent with a demand for international products. A high influx of tourists into Dubai and Abu Dhabi has resulted in the construction of many 5 star hotels, which are in constant demand for healthy and organic products for their customers. The strong construction industry has also attracted many low-income semi-skilled and unskilled workers, creating new consumer groups with their own needs and consumer foodservice preferences.

DOING BUSINESS IN THE UAE

Emirati authorities have increased spending in the economy and a number of reforms have taken place to make the country a more business-friendly and attractive investment centre. Reforms include a "one window, one step" electronic application process for securing electricity, an online tax filing and payment system for social security contributions, increasing the operating hours of land registry offices, and reducing transfer fees for the transfer of property. Additionally, UAE authorities have addressed concerns from investors by strengthening investor protections. According to the World Bank, the UAE introduced "greater disclosure requirements for related-party transactions in the annual report and to the stock exchange and by making it possible to sue directors when such transactions harm the company (Doing Business, 2013)."

These changes in regulations have improved the UAE's ranking on "Doing Business" by the World Bank, which ranks the ease of doing business for local companies in 189 economies and selected cities. The UAE has improved its ranking, from 26th in 2012 to 23rd in 2013.

Overall, according to this ranking, a total of 6 procedures and 8 days are needed to register a business in the UAE. This is far below the Middle East and North Africa regional average of 8 procedures and 19.8 days. The cost of doing business in the UAE is estimated to be 6.4% of per capita income. This cost is significantly lower compared to the rest of the region, where it is averaged at 28.9% of income per capita.

The cost of trading across borders is significantly lower than Organisation for Economic Co-operation and Development (OECD) averages. Exporting costs are valued at US$630 per container, while importing costs are valued at US$590 per container. The average time to export or import a product is 7 days.

The chart below showcases some of the indicators used by the World Bank to measure the ease of doing business in countries. As can be seen, many of the indicators have improved over the past year, demonstrating the commitment by UAE authorities to make it easier to do business and attract investment into their country.

Doing Business in the United Arab Emirates
World Bank Group Ranking 2013-2014

	2014 Rank	2013 Rank	Change in Rank
Starting a Business	37	24	↓-13
Dealing with Construction Permits	5	8	↑ 3
Getting Electricity	4	7	↑ 3
Registering Property	4	13	↑ 9
Getting Credit	86	82	↓ -4
Protecting Investors	98	137	↑ 39
Paying Taxes	1	1	No change
Trading Across Borders	4	4	No change
Enforcing Contracts	100	101	↑ 1
Resolving Insolvency	101	102	↑ 1

↑ *Positive change= Doing Business reform making it easier to do business.*
↓*Negative change= Doing Business reform making it more difficult to do business.*

Source: *Doing Business, World Bank Group, 2013.*

TARIFFS AND REGULATIONS

The following are tariffs and regulations, as stated by the World Bank Group (2013) to consider when doing business in the United Arab Emirates:

1. High priced food products led the government to implement price checks on retailers and fine them for overcharging customers. In 2006, price fixing for basic commodities was implemented in order to protect consumers, a policy that remains in place in 2013.

2. Joint ventures have current law requirements: all companies must be licenced and at least 51% owned by UAE nationals. Suppliers can then operate under this business format. It is important to note that profit and loose distribution is to be allocated in different proportions to that of shared ownership.

3. The UAE has a virtual absence of taxation. Some Emirates might have different corporate taxes, however there is no income tax and no corporate tax at the country level. Members of the Gulf Cooperation Council (including the UAE) have the intention of introducing a value added tax (VAT) system by 2016, a process which would require changes in domestic legislation, and could be a lengthy process.

4. New changes in the law permit major firms to file for bankruptcy. State-owned enterprises are now also overseen by a committee to improve efficiencies.

5. As part of the strategy to diversify the UAE's economy, authorities have changed regulations and created incentives to attract foreign investment. Free trade zones have been established in Dubai, Sharjah, Umm Al Quwain and Fujairah. Companies, distributors and manufacturers established nearby could benefit from certain attractive concessions, as well as strong infrastructure.

UAE: THE HUB FOR THE REGION

According to Euromonitor International, foreign direct investment (FDI) in 2012 was 2.7% of total GDP. FDI has allowed the country to slowly develop itself into a regional export and import hub. The additional infrastructure investment that is being allocated by Emirati authorities has enhanced the potential of the country to become the link between African and Middle Eastern markets. Exports to Africa and the Middle East from the UAE have increased by 119% between 2007 and 2012.

The United Arab Emirates has been a member of the World Trade Organization since 1996 and is a member of several trade agreements. Given its location, regional agreements have historically been important in the UAE's liberal trade regime. The UAE is a founding member of the Gulf cooperation Council which has the intention of becoming a customs union in the near future. Free trade agreements between the GCC and some European countries, and GCC and Singapore have been signed but not yet implemented.

MARKET CHALLENGES

Despite the UAE's liberalized trade regime and numerous free trade agreements, the location of the country can make it vulnerable to events happening across the region. The country's dependence on oil continues to leave the economy vulnerable to global economic changes. Despite trying to diversify, dependence is still persistent, leading to large spending and investment in the country. Analysts have expressed their concerns over the construction sector and stock market bubbles. Due to the fact that state's regulations don't always apply to all emirates, it can be challenging to understand the regulations. One final challenge to consider is the increased competition of foreign products, such as well-established European, American and New Zealand products and Australian halal meats.

MARKET OPPORTUNITIES

As the UAE economy continues to grow and seeks to diversify away from oil, opportunities to invest and do business in the UAE will continue. The large foreign population will increasingly demand foodservice and foods that remind them of home creating opportunities for both foodservice providers and suppliers. New high-end hotels and restaurants will also be in need of suppliers. Canadian companies producing organic and healthy products will be well placed to cater to this growing need. Opportunities will also exist for Canadian canola producers, as virtually all canola seed imported into the UAE comes from Canada.

Emirati authorities will continue to improve the business environment and ability to do business in order to attract new investors. This investment in infrastructure and a large number free trade zone benefits make the UAE a more profitable, less expensive place to do business, compared to other countries in the region. Dubai and other major cities will continue to act as a hub for the region, allowing for opportunities to re-export products to other GCC countries. Finally, Dubai has won the expo 2020 which will create a number of opportunities, including increased tourism, new hotels and an improved business environment.

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