Saudi Arabia Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Saudi Arabian freight and logistics market is forecast to register a CAGR of 6.53% through the forecast period.

During the COVID-19 pandemic, the country experienced a shift in purchasing behavior from traditional hypermarkets and supermarkets to online shopping for basics like groceries and other items. This is expected to increase the scope and competition in the long term for logistics players in the country in terms of faster delivery and seamless experience for customers.

Being a focal area and a large economy, Saudi Arabia offers an advantage as an important logistics hub. The country has set out on a program to improve logistics services, which incorporates streamlining import and export processes, infrastructure enhancements, administration and regulatory reforms, and progression and privatization of the market.

The prospects for growth of the Saudi logistics industry look promising over the next five years as economic diversification, policy reforms, tax regimes, and foreign direct investment (FDI) policies are shifting in favor of an open economy and encouraging private investment. Until recently, Saudi Arabia was a closed market. However, recent initiatives for economic diversification have opened doors to industrial, retail, and logistics players worldwide by allowing 100% ownership.

Saudi Arabia Freight & Logistics Market Trends

Vision 2030 Fueling the Demand for Freight and Logistics

With the Saudi Vision 2030, the Saudi government is actively looking into reforming governance structures and regulations and heading toward opening a path for market liberalization and private-sector participation. The government is planning to become more open to issuing licenses for full-fledged foreign logistics businesses.

Due to the initiative by the government, new entrants are expected to fill the gap in Saudi's overall logistics landscape. The Vision also includes the creation of greenfield industrial sites and cities. One of the most notable projects is the King Abdullah Economic City, primarily focused on industry and logistics. It is about 70 km north of the Red Sea port of Jeddah. The city has its own seaport, the King Abdullah Port, with a current capacity of handling 1.4 million TEU and aspires to reach 10 million TEU capacity.

The country is strengthening its logistics competitiveness and contributing toward increasing the volume of non-oil exports and diversifying the country's sources of income in accordance with the objectives of Vision 2030.

The size of the maritime sector has doubled in the past decade, bringing the number of ships operating in it to 53,000 marine vessels registered in 150 countries and carrying 11 billion ton of cargo annually, as reported in April 2021. The country aims for the private sector's GDP contribution to reach from 40 to 65%. It plans to achieve this goal with the development of the maritime transport sector, especially since 13% of the volume of international trade passes through the Red Sea.

Growth in E-commerce to Drive the Logistics and Transportation Sector

E-commerce in Saudi Arabia is experiencing a rapid spike in growth amid the COVID-19 pandemic. The supply chain will need to respond to increased competition in the last mile as e-commerce operations grow in the wake of the pandemic. Last-mile logistics will be a highly competitive space as companies look to their supply chains to give the best possible customer experience. This will call for technological innovation to enable retailers to scale-up home delivery systems quickly once normality returns.

The government has also sought to improve the regulatory framework to help incentivize this growth and ensure long-term sustainability in the segment. In October 2019, the government implemented the E-commerce Law, designed to regulate digital payments and improve transparency, while on January 31, 2020, the Ministry of Commerce and Investment adopted the Implementing Regulations of the E-commerce Law, adding increased oversight to areas such as personal data protection, consumer rights, and disclosure obligations.

As part of the Financial Sector Development Program, which is also a part of Vision 2030, the government plans to increase the proportion of online payments to 70% by 2030, up from the 2020 target of 28%. Logistics and infrastructure are set to witness growth during the forecast period due to the factors mentioned above.

Saudi Arabia Freight & Logistics Market Competitor Analysis

The freight and logistics market in Saudi Arabia is fiercely competitive, fragmented with many international and domestic companies. The top players in the segment include Deutsche Bahn AG, DHL, Gulf Agency Company Ltd (GAC) among the global players, and Almajdouie Group and Bahri among the domestic players.

International companies are partnering with local players to form joint ventures. This provides an opportunity for local players to exploit the global network of multinational companies. In terms of logistics competence, the country aims to reform its regulations and governance and liberalize and open the logistics market to attract best-in-class private sector logistics operators.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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