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Warehousing and Distribution Logistics Market In GCC - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 156 pages | Mordor Intelligence

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Report description:

The warehousing and distribution logistics market in GCC is forecast to register a CAGR of more than 5% during the forecast period 2022-2027.

The COVID-19 pandemic has disrupted supply networks, causing global industries to suffer. As a result, governments and businesses worldwide have been obliged to consider the long-term health of their supply chains. Fortunately, the reconsideration has roughly coincided with the recent scaling up of ambitious and broad-based national development programs in GCC nations. GCC governments had to incorporate a sustainable and resilient supply chain plan nearly from the start, rather than making significant changes to existing structures.

The warehousing and distribution logistics market in GCC is estimated to witness strong growth during the forecast period due to the increasing warehousing infrastructure and increasing government and private investments to develop the region into a robust logistics hub with pro-business regulatory policies.

The UAE is one of the fastest-growing countries in the GCC region, owing to the rising importance of Dubai in world trade and its strong economic outlook for the forecast period. Bahrain offers some of the lowest setup and operating costs for a logistics business with cost savings of 30-40% compared to the rest of the GCC. This has encouraged several companies to invest in the country to set up businesses and access the GCC and the Arab world.

According to industry sources, despite the COVID-19 pandemic-induced economic challenges, the Saudi warehousing sector maintained its winning streak in 2021 as e-commerce and megaprojects boosted demand for larger areas. The demand for warehousing is predicted to grow in the next few years due to the growing population and planned big projects in line with Saudi

Vision 2030.

Riyadh, Jeddah-King Abdullah Economic City (KAEC), and Dammam-Al Khobar are the main hubs for the Kingdom's logistics and warehousing business, with a combined supply of 72 million square meters. Qatar's warehouse rentals climbed in the second quarter of 2021, showing increasing demand for warehouses aided by increased economic activity. The average asking rent for dry warehouses increased by 5% in the second quarter of 2021 compared to the first quarter.

GCC Warehousing & Distribution Logistics Market Trends

Growing Warehousing Opportunities in Kuwait

Kuwait is concentrating on enhancing its trade relations, which resulted in an increase in the value and volume of imports and exports during 2017-2019. Although the trade decreased in 2020 due to the COVID-19 pandemic's impact, it is expected to get back to normal levels over the coming years. The market has expanded positively over the study period, as commerce is directly associated with the logistics business. Kuwait's economy is based on petroleum and is tiny, affluent, and relatively open.

Aramex plans to establish Kuwait's largest logistics warehouse in September 2021, which will help the company expand and grow its e-commerce fulfillment operations. With 16,000 square meters, Aramex's new e-fulfillment facility at Kuwait's Agility Logistics Park (ALP) could be the country's largest logistics warehouse. According to a press statement from Aramex, a Dubai-based company, the facility in ALP, Sulaibiya, will use automated conveyor belts and sorting machines geared toward faster and more efficient operations.

Kuwait has a broad project market, ranking fourth among the GCC countries behind the UAE, Saudi Arabia, and Qatar. The trade dimension of Indo-Kuwaiti relations has always been significant. India has long been one of Kuwait's most important trading partners. Kuwait was India's 10th largest oil supplier in FY 2019-20, meeting around 3.8% of the country's energy needs. Total bilateral trade with Kuwait amounted to USD 10.86 billion in FY 2019-20, compared to USD 5.37 billion in FY 2020-21 from April 2020 to February 2021.

E-commerce Growth Driving the Market

The GCC e-commerce market is expanding with increasing competition, driven primarily by the UAE. Saudi Arabia is expected to remain the largest and fastest-growing e-commerce market in the region, with the consumer electronics and fashion categories witnessing the highest demand. The GCC region has a high spending potential in line with its high per capita income. Additionally, internet penetration and social media penetration are also among the best globally, meaning that the GCC is ready for strong growth in the e-commerce market.

E-commerce revenue in the GCC was USD 5.3 billion in 2015, accounting for only 0.4% of the region's GDP. Revenue had doubled to USD 21.6 billion by 2020. By 2025, GCC e-commerce sales are expected to increase to USD 52 billion per year. This is due to the expected increase of the COVID-19 pandemic-driven shift to online shopping as well as the rise in technologically literate customers, primarily millennials (aged between 25 to 40 years, roughly), who make up about 45% of the population. 60% of GCC millennials purchase online.

E-commerce in Saudi Arabia has exploded as the country works toward Vision 2030, a comprehensive plan aimed at transforming the country into a knowledge-based economy. Online sales have surged by about 60% on an annual basis across all categories, with e-commerce holding the highest position for media products, clothes, and footwear.

GCC Warehousing & Distribution Logistics Market Competitor Analysis

The warehousing and distribution logistics market in GCC is highly competitive with the presence of major international players and also domestic players. The market presents opportunities for growth during the forecast period, which is expected to further drive market competition. With a few players holding a significant share, the market has an observable level of consolidation.

With increasing competition from global service providers, logistics service providers need to focus on improving operational efficiency and optimizing the performance of assets to stay ahead of the competition.

Additional Benefits:

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

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