

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

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Report description:

The GCC contract logistics market is expected to register a CAGR of more than 7% during the forecast period (2022-2027). Following the onset of COVID-19, various logistics companies experienced obstacles, including supply-chain capacity bottlenecks and government restrictions, which resulted in the suspension of important services on particular routes and cost pressure and supply chain management issues. On the other hand, contract logistics service providers who have used automated technology had advantages in dealing with the epidemic and the subsequent lockdowns.

The United Arab Emirates is part of several multilateral and bilateral trade agreements. The United Arab Emirates has strong economic ties with Saudi Arabia, Kuwait, Bahrain, and Oman in the GCC. Under the Greater Arab Free Trade Area Agreement (GAFTA), the United Arab Emirates has free trade access to Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, and Yemen. The Emirates also has signed agreements with other countries, including Pakistan, Algeria, India, South Korea, and the Netherlands. The United Arab Emirates has been focusing on improving its trade agreements to develop the level of trade and economic cooperation as per the laws prevailing in each country and diversify sources of the economy and sustainable development. In September 2021, the United Arab Emirates and India proposed a free trade agreement to conclude a comprehensive trade negotiation by December 2021. They hope to sign a formal free trade agreement in early 2022 to achieve over USD 115 billion bilateral trade in five years. The United Arab Emirates was India's third-largest trading partner with about USD 59.12 billion of bilateral trade in 2019-2020, a non-COVID period.

In June 2021, Saudi Arabia's Crown Prince unveiled the National Transport and Logistics Strategy, which intends to improve all services and modes of transportation. The policy will allow Saudi Arabia to leverage its geographic location in the middle of three continents to diversify its economy. The approach also relies on effective governance models to improve institutional work in the transportation and logistics sector. The strategy aims to boost the transport and logistics sector's contribution to

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national GDP to 10% by 2030 and the sector's non-oil earnings to the state's general budget by around SAR 45 billion. In 2021, the Saudi government declared that, by the end of the decade, it will have invested more than SAR 500 billion (USD 133.34 billion) in airports, seaports, rail, and other infrastructure to make the Kingdom a worldwide transportation and logistics hub. Saudi Arabia intends to raise the number of international aircraft routes from 99 to over 250 by 2030.

In September 2021, Bahrain launched the region's fastest sea-to-air logistics hub as the Kingdom seeks to diversify its economy. The hub is expected to cut costs by 40% and reduce the turnaround time for containers, allowing customers to get their shipment in half the time. Bahrain will capitalize on its geographic position between Europe and Asia and on its proximity to regional target markets through its new multi-modal trans-shipment hub.

GCC Contract Logistics Market Trends

Growth in E-commerce Driving the Market

To facilitate the trade and e-commerce market, the United Arab Emirates has come up with initiatives to develop its infrastructure and technology to implement a well-integrated transport system and logistics infrastructure. In 2020, the United Arab Emirates was the 30th largest market for e-commerce, with a revenue of USD 6 billion. The increasing e-commerce activities are expected to drive the UAE freight forwarding market. In the second quarter of 2021, statistics from the "State of the Retail Sector in the UAE" study highlighted that the recovery that began earlier in the year appeared to be continuing. According to the report, e-commerce sales in the United Arab Emirates increased by 17% in the first half of 2021 compared to the same period the previous year. In the third quarter of 2021, Dubai's consumer confidence reached its best level in over 10 years. Compared to the same quarter in the previous year, e-commerce will expand by 34% in the third quarter of 2021.

E-commerce in Saudi Arabia is experiencing rapid growth amid the COVID-19 pandemic, demanding stronger supply chains, which will drive the freight forwarding market. Saudi Arabia was the 25th largest market for e-commerce, with a revenue of USD 7 billion in 2020. With an increase of 34%, the Saudi Arabian e-commerce market contributed to the global growth rate of 29% in 2020. The growing exposure of social media platforms in the region also contributed to more online engagement, which converted into e-commerce sales for businesses in the country. E-commerce is expected to be one of the biggest growth drivers for the freight forwarding market in Saudi Arabia. According to sources, the number of users will reach 34.5 million by 2025, and user penetration is anticipated to reach 92.5% by 2025. From the beginning of 2021 to the end of August, e-commerce sales in Saudi Arabia totaled SAR 44.244 billion (USD 11.7 billion), topping previous years' purchases.

Increasing Pharmaceutical and Healthcare Driving the Market

The Saudi pharma market is considered one of the fastest-growing markets, with strong export potential to serve MENA and OIC (Organization of Islamic Countries) with a total market of USD 120 billion. The demand for pharmaceuticals in Saudi Arabia is expected to register substantial growth due to the increasing penetration of health insurance companies and the rising incidence rate of non-communicable diseases. Furthermore, the exceptional rise in the per capita income of Saudi Arabia is expected to foster the demand for branded pharmaceutical drugs. Another key factor driving the growth of the pharmaceutical market in Saudi Arabia is the country's strategic move to allow 100% FDI in the pharmaceutical sector. Over 81% of generic pharmaceuticals taken in Saudi Arabia are imported, and the country has only one significant API manufacturer. The Kingdom's generics market grew to USD 763 million in 2020, accounting for 72% of the Middle-East and North African (MENA) industry.

In Q1 2021, the value of Dubai's foreign pharmaceutical and medical supplies trade reached AED 6.8 billion, up by 31%, from AED 5.2 billion in 2020. Imports were AED 5.3 billion, exports were AED 590 million, and exports and re-exports were AED 1.4 billion. By volume, Dubai's pharma and medical supply trade increased by 47% in the first three months of 2020 and 2021, from 33,000 ton to 48,600 ton.

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In June 2021, Naqel Express, Saudi Arabia's leading express logistics and supply chain company with the largest seamless network, officially opened its gateway facilities at King Abdulaziz International Airport (KAIA) and its new Pharma and Cold Chain warehouse facilities in Jeddah. These are part of new investments of more than SAR 200 million (USD 53 million) being made by Naqel in the Western Province of Saudi Arabia to facilitate imports and trading.

In November 2021, Maersk signed an agreement with the Saudi Ports Authority (Mawani) to invest USD 136 million over 25 years to establish an Integrated Logistics Park at the Jeddah Islamic Port in Saudi Arabia. The Integrated Logistics Park will offer customers warehousing and distribution (W&D) and cold storage while serving as a hub for transshipments and petrochemical consolidation.

GCC Contract Logistics Market Competitor Analysis

The GCC contract logistics market is extremely fragmented. The contract logistics market is getting a lot of traction in the GCC region. It is often regarded as the best way for businesses to handle the growing cross-border flow of commodities while extending their logistical processes. The market is being driven by cost reduction, the availability of specialized service providers, the presence of industrial zones, and expanding industrialization. In August 2021, the Saudi Export Development Authority, "Saudi Exports", launched an international tender service to give national companies new opportunities to expand into international markets and increase their competitiveness by allowing them to export services and products through international tenders in numerous targeted sectors.?

In June 2021, MdR signed a 5-year contract with Farabi Petrochemicals Company, the largest producer of Linear Alkyl Benzene in the Middle-East. In line with the agreement, MdR will provide operation, maintenance, and product handling services at the company's Jubail facility. It will also oversee loading and unloading, warehouse management, and supply chain and maintenance works.

Additional Benefits:

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

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