THE UAE LOGISTICS INDUSTRY OUTLOOK

PRESENTED BY:
Gopal R
Global Vice President
Transportation & Logistics Practice
Agenda

Global Trends
The UAE Logistics Market and Freight Activity
Key Trends Impacting the UAE Logistics Industry
Way Forward
GLOBAL TRENDS - AN OVERVIEW

- Policy uncertainty
  - Qatar Issue
- Commodity / Oil Prices
  - Inflation
- China Slowdown
  - Cross-border conflict

Global Risk Assessment for Logistics Industry, 2017

- Changes in fiscal and monetary policies
- Reduction in corporate and personal income tax
- Oil and Gas production

- Improvement in commodity prices
- Domestic economic challenges in Brazil
- Mexico and Central America growth slowdown

- UK exit from EU
- ECB Quantitative Easing and Investment Plan
- Moderate European Economic Growth

- India’s growth driven by domestic demand
- China’s slow down
- ASEAN Growth Prospects

- Qatar issue
- Freezing of OPEC oil production
- New tax regulations such as Expat and VAT

Source: Frost & Sullivan Analysis
US Shale and Tight Oil Production Affects Global Oil Supply: Demand Equilibrium Driving Price Down

Compared to 2016, OPEC crude production decreased in 2017. On the other hand, Non-OPEC output increased by 1.25 million bpd. Oil supply is likely to outpace consumption in 2018 to reach 100 Million bpd. US is expected to increase its production.

Sources: Energy Information Administration, Frost & Sullivan Analysis
World GDP Growth: Economic Uncertainties Continue to Hamper Global Growth

- Lower oil prices
  - ...expected to affect growth and oil revenue in the OPEC.

- Global economy
  - ...seems to strengthen supported by strong trade revival.

- The emerging economies
  - ...continue to focus on services sector.

Note: e = estimated; f = forecasted

Source: World Bank, IMF and Frost & Sullivan Analysis
FREIGHT ACTIVITY IN THE UNITED ARAB EMIRATES
Market Size of the Logistics Industry in the UAE

The UAE GDP by Key Industries, 2017

- Other Services, 38.8%
- Mining, Oil & Gas, 26.1%
- Manufacturing, 10.7%
- Electricity, 3.0%
- Construction, 9.7%
- Agriculture, 0.7%
- Telecommunication, 2.6%
- Transport and Warehousing, 8.4%

The UAE Transportation and Storage Segment Distribution in 2017 (USD 33.18 Billion)

- Services Allied to Transportation: 12%
- Air Transportation: 20%
- Maritime Transportation: 54%
- Road Transportation: 14%

Source: National Bureau of Statistics, Frost & Sullivan Analysis
Logistics Market in the UAE
The UAE is an important trade partner within the GCC.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Trading Partner</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>12%</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>10%</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Japan</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>Rest of GCC</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Rest of World</td>
<td>50%</td>
</tr>
</tbody>
</table>

In 2016, UAE imports were valued at $189.18 Billion.

- Diversified trade portfolio
- Key economies as trade partners
- Strong regional trade participation

Non-Oil Exports USD 45.9 Billion
Re-Exports USD 58.6 Billion

<table>
<thead>
<tr>
<th>Trading Partner</th>
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</thead>
<tbody>
<tr>
<td>Iran</td>
<td>14%</td>
</tr>
<tr>
<td>Rest of GCC</td>
<td>13%</td>
</tr>
<tr>
<td>India</td>
<td>11%</td>
</tr>
<tr>
<td>Belgium</td>
<td>7%</td>
</tr>
<tr>
<td>UAE Free Zones</td>
<td>7%</td>
</tr>
<tr>
<td>Iraq</td>
<td>6%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Federal Competitiveness and Statistics Authority UAE, Frost & Sullivan Analysis
Port and road infrastructure plays a key role in the growth of UAE.

Sea transport is the predominant mode, accounting for more than 90 per cent of freight in the UAE.
KEY TRENDS IMPACTING THE UAE LOGISTICS INDUSTRY
Logistics Industry Trends

1. UAE as Multimodal transport hub / UAE as prime transit and re-export hub

2. EXPO 2020 and Infrastructure developments to strengthen alternate modes of transport

3. Increasing trade with Asia, Sub-Saharan African countries

4. Economic Diversification and Industrialization

5. Technological Disruptions - Drones, UAVs/Robotics/Realtime Container Tracking/Online Freight Services

6. Connected Trucks and Fleet Modernization

7. E-commerce and Last-mile Delivery

8. Competition among Regional Ports - Mega Ships

Source: Frost & Sullivan Analysis
UAE as Multimodal transit & re-export hub

Centrality of UAE on traditional trade routes connecting Asia to Europe has linked many Middle East cities with the world through linear transport networks.

The Major trans-shipment destinations are Europe, Africa, Middle East and South Asia.

Growth drivers
- Central and prime geographical location
- Easy seaport access
- Favorable government regulations
- Tax-free environment
- Increasing number of manufacturing facilities.

UAE Free Trade Agreements
- The Greater Arab Free Trade Agreement,
- The GCC and Singapore Free Trade Agreement,
- The GCC and European Free Trade Area (EFTA) Free Trade Agreement

Dubai as an export hub
- Heavy investments have been made in the development of logistics facilities and infrastructure capabilities.
- State-of-the-art infrastructure across transportation modes along with the presence of international logistics firms makes Dubai one of the top export and re-export hubs in the world.

Key trading partners
- Russia
- India
- Pakistan
- Afghanistan
- Hong Kong

Major product categories re-exported
- Laptops
- Mobile Phones
- Monitors

Source: Industry Sources and Frost & Sullivan Analysis
EXPO 2020 and Infrastructure developments to strengthen alternate modes of transport

'Connecting Minds Creating the Future'
The Dubai Expo 2020 will provide a platform for SMEs to get exposure for more investments. The Expo will be a place where the seed for the growth of the region in terms of development and opportunities is planted.

Key highlights

- Expo 2020 runs from October 2020 through to April 2021.
- Dubai is connected by 5 major airports, and is located within an 8 hour flight of 2/3rd of world’s population.
- More than 170 nations are expected to participate.
- More than 25 Million visitors are expected in 6 months.
- More than 300,000 new jobs are expected to be created.

Opportunity
Unlocking New Possibilities to succeed in attaining possible future Opportunities

Mobility
Creating smarter and more productive physical and virtual connection

Sustainability
Progress without compromising the needs of the future generations

Source: Industry Sources and Frost & Sullivan Analysis
Increasing trade with Asia, Sub-Saharan African countries

26th Rank on the World Bank’s Doing Business 2017 report

**Growth drivers**

- Economic growth in the East.
- Rapid growth of sub-Saharan economies.
- UAE’s strategic position connecting Europe, Asia, and Africa.

**Major trading partners – Asia**

<table>
<thead>
<tr>
<th>Country</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>UAE’s trade with China is blooming and China remains the largest exporter to UAE.</td>
</tr>
<tr>
<td>India</td>
<td>India is considered UAE’s primary trade partner and the trade value is expected to reach $100 Billion in 2020.</td>
</tr>
<tr>
<td>Japan</td>
<td>During 2016, non-oil trade between Japan and UAE was valued at $14.6 Billion.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Singapore was the first non-Arab country to sign Free Trade Agreement with the GCC countries.</td>
</tr>
<tr>
<td>South Korea</td>
<td>South Korea is one of the key trade and investment partner with a significant progress.</td>
</tr>
</tbody>
</table>

**Major trading partners – Africa**

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Angola</td>
<td>Angolan government initiatives to reduce regulatory complexities is boosting trade.</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Trade with Ethiopia, member of COMESA economic block, is expected to increase.</td>
</tr>
<tr>
<td>Kenya</td>
<td>Kenya is referred to “gateway to East Africa” and has always remained an important trade partner for UAE.</td>
</tr>
<tr>
<td>South Africa</td>
<td>South Africa remains one among top trading partner with UAE, however, of late, trade with South Africa is declining.</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Trade between UAE and Tanzania is witnessing a substantial rise recently.</td>
</tr>
</tbody>
</table>

Source: Industry Sources and Frost & Sullivan Analysis
Economic Diversification and Industrialization

Economic Diversification initiatives in line with UAE Vision 2021 to boost non oil contribution to GDP and drive SME contribution to non-oil industries

Drivers

More than 30 Free Zones have been established across UAE. These free zones facilitates easy setting up of manufacturing plants along with other benefits on custom duties for import and export of goods.

Investments relating to the economic diversification efforts of the Emirates are driven by Abu Dhabi’s Economic Vision 2030 and the United Arab Emirates (UAE) Vision 2021.

The Union Railway Network and Emirates-level development plans focusing on port modernization and free zones are in progress; investments related to EXPO 2020 are expected to improve the transportation network.

Major manufacturing sub-sectors

- Petrochemical Products
- Chemicals & Pharmaceuticals
- Industrial Machinery
- Home Appliances
- Foods and Beverages
- Rubber & Plastic Products
- Textile & Apparel
- Mining & Minerals

Source: Industry Sources and Frost & Sullivan Analysis
Technological Disruptions - Drones, UAVs / Robotics / Real-time Container Tracking / Online Freight Services

**TECHNOLOGICAL DISRUPTIONS AND ITS IMPACT ON THE LOGISTICS INDUSTRY**

- **Drones, UAVs**
  - Package deliveries
  - Last mile deliveries

- **Robotics**
  - With more automation, robotics would enable the companies to replace workforce with robots.

- **Real-time container tracking**
  - Abu Dhabi ports recently launched the fully digitalized Port community System with tracking features to improve efficiency.

- **Online freight services**
  - Purely data-driven business model bridging the gap between shippers, truck owners, and drivers in real time, aiding on-demand transportation services

**New Types of Business Entities**

- Cloud Infrastructure Service Providers
- Drone based Last Mile Delivery Service Providers
- Online Marketplace Freight Forwarders and Warehouse Space Aggregators

Source: Industry Sources and Frost & Sullivan Analysis
Connected Trucks and Fleet Modernization

By 2025, 63.5 million trucks are expected to be connected globally. Digital freight solutions and autonomous technologies will transform the trucking industry into a smarter, efficient, and productive sector.

• Roads and Transport Authority (RTA) in Dubai has mandated the heavy vehicles older than 20 years to be linked with Smart Monitoring Center to improve traffic safety and security.

• Some of the benefits of Connected trucks include, reduce operating costs through several avenues including telematics, remote diagnostics/prognostics, truck platooning, and self-driving trucks.

• Fleet operators will be able to optimize factors such as fuel, maintenance, and driver wages, which together contribute more than 60 percent of the total cost of ownership.

Source: Industry Sources and Frost & Sullivan Analysis
# E-commerce and Last-mile Delivery

## Market size
In 2017, the online retail market in UAE is valued at Dh6.6 Billion ($1.8 Billion)

## E-Commerce players in UAE

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Souq.com</td>
<td>In 2017, Amazon, the global giant in E-Commerce, acquired UAE based E-Commerce company Souq.com, which held a share of 78% of all online shopping in the MENA region.</td>
</tr>
<tr>
<td>Awok.com</td>
<td>Amazon is one of the E-Commerce players in UAE with more than 50,000 product listings under 30 categories. It has recently launched its operations in KSA.</td>
</tr>
<tr>
<td>Noon.com</td>
<td>Noon.com started its operations in UAE with an initial capital of $1 Billion and is planning to launch its operations in the Kingdom of Saudi Arabia.</td>
</tr>
</tbody>
</table>

## Last Mile Delivery Trends

- Drone based Last Mile Delivery Service Providers
- GPS tracking of delivery vehicles for real-time order tracking
- Emergence of captive logistics arms to serve internal demands
- Big Data analytics to help reduce TAT and forecast customer demand
- Tie-ups with local retailers for faster deliveries

## Key product segments

- Consumer Electronics
- Fashion and Apparel
- Grocery and FMCG
- Toys, Lifestyle, and personal care

Source: Industry Sources and Frost & Sullivan Analysis
UAE’s development as transshipment hub along with state-of-the-art infrastructure in regional ports is increasing pressure to achieve a sustained level of productivity, driving the competition.

- Jebel Ali is one of the few ports that is equipped to receive mega ships and can handle up to 10 mega ships simultaneously.
- Jebel Ali port is frequently visited by mega ships and acts as a gateway for the new-gen mega ships.
- Khalifa port has announced to extend quay wall, expand its cargo handling capacity, and deepen its main channel that would help them handle world’s largest vessels.

Magleby Maersk, one of the largest vessel, at Jebel Ali port, Dubai
Way Forward
Moving towards Multi Modal Logistics Network
Integration of logistics functions is key to deliver freight across the region.

Logistics Industry: Sector Developments, UAE, 2010–2025

- **2010** - National development plans focused on strengthening transportation and logistics infrastructure
- **2015** - Creation of the GCC customs regulations, which has harmonised regional trade regulations
- **2020** - Synchronisation, coordination, and interconnection with the regional logistics networks
- **2025** - UAE logistics to be connected to global and GCC logistics networks

- **2010 – 2015**
  - National development plans focused on strengthening transportation and logistics infrastructure
- **2015 – 2020**
  - GCC multi-modal transportation network to support logistics hubs in the region
- **2020 – 2025**
  - Multiple regional logistics hubs to focus on regional and global needs

Integration of multi-modal transport networks and logistics support function that cater to Asia, South and East Africa, Europe and other countries in the Middle East and North Africa.

Source: Frost & Sullivan
Growth Opportunities in the UAE Logistics Industry

Source: Frost & Sullivan

EXPO 2020

- Logistics District with Multimodal Infrastructure to connect sea and airports
- Logistics City next to Abu Dhabi Airport to support increasing cargo demand
- A Free Zone to focus on metals, chemicals, engineering products as part of economic diversification efforts

$9.00 billion for airport expansion projects

EXPO Village – Residential community

Khalifa Industrial Zone Abu Dhabi (KIZAD)

Jebel Ali Free Zone

Abu Dhabi Airport Free Zone

438-hectare Dubai trade center

Khalifa Industrial Zone Abu Dhabi (KIZAD)

Jebel Ali Free Zone

EXPO Village – Residential community

Source: Frost & Sullivan
THANK YOU
ANY QUESTIONS?
What does Global Transportation & Logistics Program in Frost & Sullivan Cover?

The Transportation & Logistics Practice of Frost & Sullivan covers entire spectrum of Supply Chain and Logistics.

<table>
<thead>
<tr>
<th>Supply chain services</th>
<th>Contract Logistics Services</th>
<th>Transportation</th>
<th>Supply Chain Technologies</th>
<th>Forwarding, Express and Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maritime</td>
<td>Infrastructure</td>
<td>Equipment</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Freight, infrastructure and facilities</td>
<td>Air</td>
<td>Ocean</td>
<td>Land</td>
<td></td>
</tr>
<tr>
<td>Rail &amp; urban transportation</td>
<td>Solutions &amp; Systems</td>
<td>Aftermarket</td>
<td></td>
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</tr>
</tbody>
</table>

- Addressing Trends & Issues
- Growth Partnership Services
- Process Improvement & Audits
- Customer Satisfaction Surveys
- Growth Coaching & Workshops
- Product/Service Concept Testing
- Training
- M&A Analysis
- Best Practices
- Growth Strategy
- Business Planning
- Customer Assessment
- Technology Benchmarking
- Competitive Benchmarking
- Market Opportunity Analysis