

## 3.7 Storage and Logistics Sector

### Sector Overview

The development and expansion of seaports as well as the expansion of the airport have resulted in the development of a number of logistics and warehousing projects in the country. The current seaport and airport infrastructure will not be sufficient to meet the increasing import requirements of the country. The existing infrastructure will further to be constrained by the development projects undertaken by the country that requires the import of materials and other components.

## SUBSECTORS

### Warehousing

Public warehousing development projects undertaken under the development plan will exceed a Bn KWD.



### Logistics

Marine cargo freight into the country is expected to be more than 43.2 Mn tons in the coming period.

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**Investors can participate in opportunities created by the development of warehousing and logistical projects by providing sophisticated solutions that will enhance the operability and efficiency of airports and ports. This in turn will enhance international trade and transform Kuwait into a major trading hub.**

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## 3.7.1 Warehousing

Warehousing is the process of storing physical goods prior to their eventual sale or distribution. Warehouses are mostly used by manufacturers, wholesalers, importers, and distributors.

### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- Kuwait exports millions of barrels of oil per day to meet global energy demands. Kuwait is also a consumeristic society wherein most of the goods demanded by the local population are imported. Hence, trading is an important part of the country's economy and vital for the day to day functioning of the society.
- Warehousing plays a pivotal role in the chain of trading activities conducted in the country. There is a number of warehouses in Kuwait owned by the public sector and the private sector. Most of the public sector warehouses are located at the airports, seaports and inland including the following:

Location	Owner	Capacity
Shuwaikh Port	Kuwait Ports Authority	<ul style="list-style-type: none"> <li>Open Storage – 450,000 sqm<sup>1</sup></li> <li>Warehouse storage – 170,000 sqm<sup>1</sup></li> </ul>
Shuaiba Port	Kuwait Ports Authority	14,500 sqm <sup>1</sup>
Doha Port	Kuwait Ports Authority	50,000 sqm <sup>1</sup>
Kuwait International Airport	Ministry of Civil Aviation	More than 10,000 sqm <sup>3</sup>
Mina Abdullah/Shuaiba	Kuwait National Petroleum Company	16,606 sqm <sup>2</sup>
Mina Abdullah/Shuaiba	Kuwait National Petroleum Company	9,650 sqm <sup>2</sup>
Mina Abdullah/Shuaiba	Kuwait National Petroleum Company	611,543 sqm <sup>2</sup>
Mina Abdullah/Shuaiba	Kuwait National Petroleum Company	67,620 sqm <sup>2</sup>
Sabhan	Ministry of Health	32,500 sqm <sup>2</sup>

- The private sector is also very active in the segment. Some of the prominent warehouses owned by the private sector include the following:

#### Commercial Storage:

Location	Owner	Capacity
Sulaibiya	Agility Public Warehousing Company (K.S.C.P)	20,000 sqm <sup>2</sup>
Sulaibiya	Agility Public Warehousing Company (K.S.C.P)	18,000 sqm <sup>2</sup>
Sulaibiya	Agility Public Warehousing Company (K.S.C.P)	8,420 sqm <sup>2</sup>
Sulaibiya	Agility Public Warehousing Company (K.S.C.P)	8,420 sqm <sup>2</sup>
Mina Abdullah	Agility Public Warehousing Company (K.S.C.P)	84,142 sqm <sup>2</sup>
Mina Abdullah	Jassim Transport & Stevedoring Company (K.S.C.P)	150,000 sqm <sup>2</sup>
Mina Abdullah	KGL Logistics Company (K.S.C.P)	84,000 sqm <sup>5</sup>

#### Cold Storage:

Location	Owner	Capacity
Sulaibiya	Agility Public Warehousing Company (K.S.C.P)	16,836 sqm <sup>2</sup>
Sulaibiya	Agility Public Warehousing Company (K.S.C.P)	15,480 sqm <sup>2</sup>
Mina Abdullah	Agility Public Warehousing Company (K.S.C.P)	9,000 sqm <sup>2</sup>
Mina Abdullah	Agility Public Warehousing Company (K.S.C.P)	12,387 sqm <sup>2</sup>
Mina Abdullah	Jassim Transport & Stevedoring Company (K.S.C.P)	10,000 sqm <sup>2</sup>

- The government has launched a number of initiatives under Kuwait Vision 2035 Development Plan to add more warehousing capacity in the country. Some of the developments include the below<sup>4</sup>:

Project	Cost	% of GDP
Development of the Mubarak Al Kabeer Port at the Boubiyan Island Port Development	USD 3,291.7 Mn	2.79%
Development of the Airport Cargo City Development for catering to the air cargo of the country.	USD 120 Mn	0.10%
Development of the storage areas of the Kuwait Ports Corporation	USD 664.5 Mn	0.56%
Development of general warehouses and border ports at Abdalli	USD 2,029.9 Mn	1.72%
Development of the three new Economic Zones	USD 19.93 Mn	0.02%

## OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- The rising population of the country is going to result in additional pressure on imports into the country and the need for warehousing facilities.
- The development of the country's infrastructural projects is also expected to increase the demand for warehousing in the country and the existing warehousing capacities are expected to be stretched to the maximum.
- Considering the above, the sector is full of opportunities related to warehousing and provides an attractive opportunity to foreign investors to participate in this sector.

Source: <sup>1</sup>KPA, <sup>2</sup>dlca.logcluster.org., <sup>3</sup>Jassim Transport & Stevedoring Co., <sup>4</sup>Kuwait Vision 2035 Development Plan, <sup>5</sup>Kuwait United Development



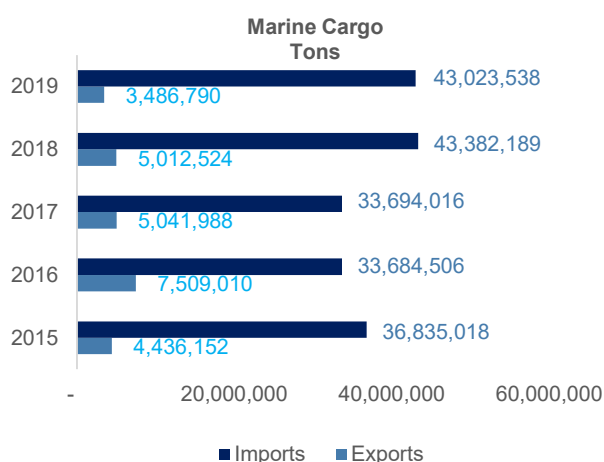
## 3.7.2 Logistics

Logistics is the process of executing all intermediary tasks from point of procurement of goods until their final distribution/consumption in a timely and cost-effective manner.

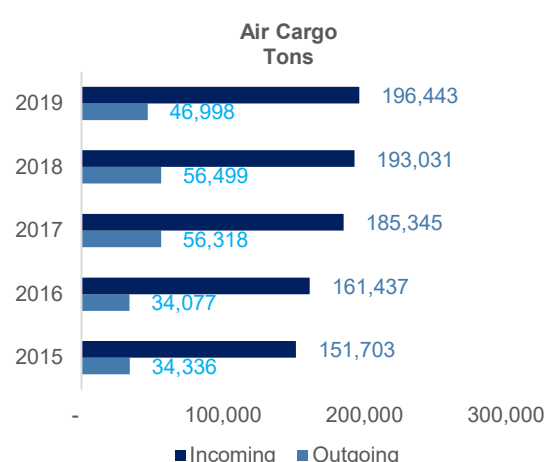
### OVERVIEW AND FACTORS INFLUENCING THE MARKET

Commercial freight movement in Kuwait is undertaken by marine, air, and land transportation, but marine remains the main mode of transportation.

The import and export of marine cargo freight in 2019 reached 43 Mn tons and 3.5 Mn tons respectively. The CAGR of cargo import freight was 4% and export freight was -5.8% from a base of 2015.<sup>1</sup>



The incoming and outgoing of air cargo freight in 2019 reached 196.4 thousand tons and 46.9 thousand tons respectively. The CAGR of incoming cargo freight was 6.7% and outgoing cargo freight was 8.2% from a base of 2015.<sup>1</sup>



Many private sector companies in Kuwait cater to the logistics sector. Some of the prominent companies include:

- Agility Public Warehousing Company – Publicly Listed
- Kuwait and Gulf Link Logistics Company – Publicly Listed
- Jassim Transport & Stevedoring Company – Publicly Listed

There is a number of projects being developed by the government as part of Kuwait Vision 2035 Development Plan to support the logistical infrastructure of the country. Some of such projects include<sup>2</sup>:

Project	Cost	% of GDP
Railway Network in the State of Kuwait (Phase 1)	USD 60.5 Mn	0.05%
Establishment of an export, import and customs inspection zone in the western Shuaiba region	USD 49.8 Mn	0.04%
Expansion and development of the Shuwaikh Port Development	USD 548.2 Mn	0.46%
Expansion and development of the Shuaiba Port Development	USD 358.8 Mn	0.30%
National Center for Ship Traffic Systems (VTS) and Search and Rescue Building	USD 53.8 Mn	0.05%
Expansion and development of the Doha Port	USD 265.8 Mn	0.23%
Building the Mubarak Al Kabeer Port	USD 3,291.7 Mn	2.79%

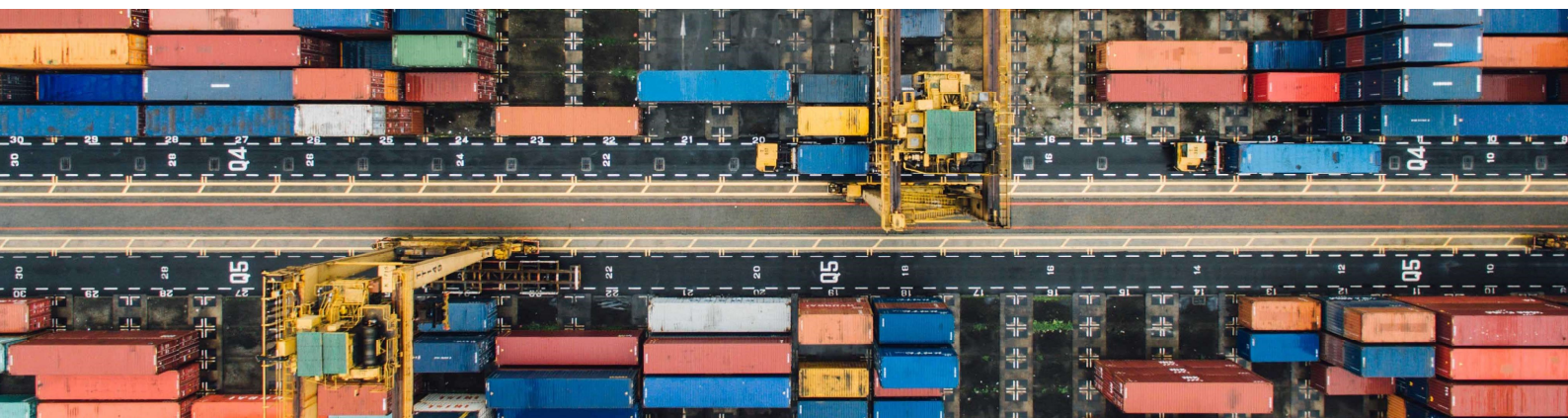


There are also plans for establishing four logistics cities including an area of 317,355 sqm at Shuwaikh port, 300,000 sqm at Doha port, another 270,000 sqm at Doha port and 1,000,000 sqm at Mina Abdullah Port. The engineering design tender for these locations was recently launched by Kuwait Ports Authority.

## OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- The growing population, high per capita income and growing consumerism in the country are expected to increase the amount of imports in the future. This will increase the need to have sophisticated logistical infrastructure in place to meet the requirements.
- The development of new ports and the expansion of existing ports as well as the construction of the GCC railway system are expected to enhance the amount of regional trade. Thus, logistical support will be required to meet the heightened momentum of trade expected during this time.
- The government has launched a number of projects in the country foreseeing the important role that Kuwait will play in international trade. Hence, foreign investors with expertise in logistics can take the opportunity to meet the requirements of the sector by providing various services required during the construction of the needed infrastructure.

Source: <sup>1</sup>CSB, <sup>2</sup>Kuwait Vision 2035 Development Plan



### 3.7.3 Express Delivery Services

Express delivery services are one of the fastest forms of shipping where a delivery can be executed within 24 to 72 hours for a fixed delivery charge.

#### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- Express delivery services are crucial for Kuwait's logistics market. They are essential for ensuring the fast pace delivery of shipments in the country as compared to other general services.
- The players of the express delivery services in Kuwait include local and international companies. Some of the prominent international companies include:
  - Aramex
  - DHL Express
  - UPS
  - Porter Express
  - TNT
  - Skycom
- International companies play an important role in the market because of high volume of trade, shipments related to expatriates and growing business activities. However, international companies tie up with local companies as they are more familiar with the different areas of the country and hence can ensure preciseness of delivery to customers.
- The Kuwaiti market faces several challenges in express delivery including<sup>1</sup>:
  - Improper addresses and locations
  - Unwillingness of customers to adopt digital solutions for express delivery
  - Major traffic congestions
- Further, the government postal service arm faces several challenges, with goods that are shipped into the country often lying idle at government offices/warehouses for substantial periods of time.
- Kuwait's e-commerce industry has witnessed a tremendous growth over the last years with a wide range of shipments coming into Kuwait. The changing preferences of consumers and their acceptance to shop electronically will further place challenges on the express delivery services of the country.

#### OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- Kuwait's e-commerce market has grown to USD 1.9 Bn in 2020. This growth is expected to be exponential in the coming period considering the increasing preference of the local population to shop electronically.<sup>2</sup>
- There was a huge increase in B2C (Business to Consumer) delivery services following the COVID-19 pandemic.<sup>3</sup> There is an expectation that changes brought out by the pandemic, especially in e-shopping preferences of customers are not temporary but rather here to stay as an upcoming business model.
- Innovative delivery solutions can also be provided digitally through business models that ensure speed and accuracy in delivery services. Such services can also be catered to the government postal services in order to increase the delivery efficiency.
- Considering the above, foreign players can establish an express delivery business in the country and benefit from the huge potential that lies within this segment.

Source: <sup>1</sup>Shipa, <sup>2</sup>Statista, <sup>3</sup>Cision