

Jebel Ali: Facilitating Dubai's growth agenda

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The port of Jebel Ali is a key component of Dubai's transport and logistics sector, the second largest in terms of share of GDP (11.5% in 2023). In Q1 2024, transport & storage GDP was up 5.6% y/y, the second-fastest growing sector. This followed a 9.2% expansion in 2023. As a sizeable share of the economy that is also expanding swiftly, transport & storage has been a major driver of Dubai's headline GDP growth in recent quarters (it also encompasses the national airlines, and they have driven much of the recent expansion, but with throughput at Jebel Ali climbing it has also played an important role). As part of the D33 economic agenda, the government aims to develop Dubai into 'a Top 5 global logistics hub', and Jebel Ali is a crucial component of this. The port already contributes to the economy not only in and of itself, but also through facilitating growth in non-oil trade and sectors such as wholesale and retail trade (25.3% of GDP last year) and manufacturing (8.5%).

Dubai growth drivers, 2023

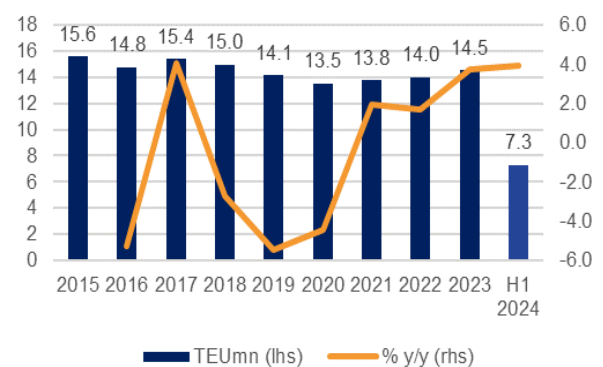


Source: Haver Analytics, Emirates NBD Research

In 2023, container throughput at Jebel Ali hit 14.5mn twenty-foot equivalent units (TEUs), up 3.7% y/y and the largest handling figure since 2018. The 2023 throughput took the port back into the global top-10 busiest container-handling facilities for the first time since it

dropped out of the ranking in 2019. Growth looks similarly strong this year, with H1 volumes at 7.3mn TEUs, up 3.9% y/y, and the second half has been off to a good start as the port handled a new monthly record of 1.4mn TEUs in July, exceeding the long-held record from 2015. Global container throughput grew just 0.3% in 2023 according to Drewry Global, and is expected to expand 4.8% this year. In terms of a global comparison, Jebel Ali's throughput growth this year has lagged that at the largest Chinese ports but easily outpaced the biggest European facilities.

Jebel Ali throughput



Source: Dubai Statistics Centre, DP World, Emirates NBD Research

A major global transshipment hub

There are a number of factors supporting growth at Jebel Ali. Firstly, not all volumes handled at the port are coming from, or destined for, the local market. Rather, the port facilitates substantial transshipment trade, whereby containers are switched from one vessel plying one route to another going somewhere else. Jebel Ali is in a strong position to do this given its geographical location at the meeting point of three continents, its links to over 600 ports around the world, and its ability to handle the largest container ships on the water which offers economy of scale to shipping companies using the facility.

Jebel Ali has also likely seen higher traffic because of the ongoing disruption to Red Sea shipping caused by attacks on cargo vessels. Shipping companies have re-routed their East-West services away from sailing through the Bab al-Mandeb and the Suez Canal, with the number of container-shipping vessels passing through the waterway from north to south each week down to around just 13 from more than 50 previously. While most of the disrupted cargo has been sailing round the Cape of Good Hope at the southern tip of Africa, some volumes for destinations such as Jeddah or Jordan have been going overland to or from Jebel Ali, with new transit services from the port launched by the likes of Hapag Lloyd. Sailing round the Cape from Jebel Ali to Port Said, the largest port in the Eastern Mediterranean, adds 8,500 nautical miles to the usual journey through the Suez Canal, making overland alternatives more attractive. Jebel Ali is well placed to capitalise on the extra demand, both in terms of its geographical location and its considerable spare capacity. The port has an annual box handling limit of 19.3mn TEUs, well above current throughput levels.

Domestic shipping demand also growing

Domestic demand is also likely powering growth at the port. Dubai's population has expanded over the past several years coming out of the pandemic, as evidenced by proxy indicators such as the rise in DEWA accounts, school enrolments, and mobile phone subscriptions. This will have driven increased demand for goods delivered in containers, whether that be furniture, electronics, or any other day-to-day needs.

The port also helps facilitate exports, and with the government focus on developing the manufacturing sector in particular, this will become increasingly important in the coming years. Boosting manufacturing, which grew 2.3% last year, is another key focus of the D33 plan, and Jebel Ali is well set to contribute to this given the adjacent free zone. According to DP World, occupancy rates at JAFZA have picked up in the first half of this year, with warehouses now 96% occupied, up from 93% last year, and office occupancy up to 83%, from 70% previously. The total number of companies at

the free zone has risen to 10,500, up from 9,700 a year earlier. Jebel Ali also has strong intermodal transport links with other manufacturing hubs, and the UAE's airports.

Suez Canal container ship crossings, n/s, 7dma



Source: Bloomberg, Emirates NBD Research

The UAE's focus on boosting trading relationships with countries around the world will also be supported by Jebel Ali. The CEPA deal signed with Australia in November is just the latest in a run of recent agreements the UAE has signed that will ease any trade frictions and help boost imports and exports. Non-oil trade exports from the UAE were up 25% y/y in H1 2024 to AED 256.4bn, with total trade at AED 1.4tn, up 11.2%. The government aim is to boost total non-oil trade to AED 4.0tn by 2031.

Protectionism a risk to outlook

One risk to the outlook for Jebel Ali comes from the trend towards increasing protectionism around the world, especially in light of Donald Trump's reelection as US president in the recent vote. A self-styled advocate of tariffs, if the new administration follows through with promised duty hikes next year then it could impact on global trade generally. This could mean a fall in transshipment volumes at Jebel Ali, and could also weigh on the UAE's own trade volumes.

Daniel Richards
Senior Economist
Group Research
+971 (0) 4 609 3032

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