

# CONTAINERPORT MARKETS IN THE MIDDLE EAST & SOUTH ASIA TO 2020

Containerport demand growth in the Middle East and South Asia has accelerated in recent years. Strong oil prices have boosted trade in the Middle East, whilst a measure of deregulation and investment has generated strong economic growth and rapid expansion in containerport demand in South Asia.

Whilst demand is very strong in India, despite ongoing investment, the capabilities of its ports and terminals remain limited, and the connectivity of these facilities with major hinterland markets is under mounting pressure. Major investment will be needed to accommodate anticipated growth, and coping with congestion will require a transformation of terminal productivity. The availability of regional transshipment facilities in meeting Indian subcontinent demand will be vital.

In the Gulf, by contrast, investment in new container facilities is running at very high levels, with oil wealth being directed into intense infrastructure programmes. Here, the danger may be of overcapacity. The development of new terminals must be correctly phased to match actual demand.

Aside from these issues, the integration of the region into the major east-west trades continues to drive demand.

This new study from OSC analyses both import/export and transshipment markets. It provides forecasts of regional containerport demand to 2020, based on expected economic expansion and the anticipated growth of transshipment. An "increased-risk" scenario is included to reflect the possibility of protectionist measures or other shock to trade brought about by concern about the US trade deficit and indebtedness.

The overall outlook is, nevertheless, for strong long-term demand growth, based on regional economic expansion and increasing transshipment.

The major regions covered in this study are:

## Middle East:

- Arabian Gulf / Gulf of Oman
- Arabian Sea / Gulf of Aden
- Red Sea.

## South Asia:

- India
- Sri Lanka
- Pakistan
- Bangladesh.

On the supply side, current investment projects and plans are reviewed in detail. The resultant prospective development of port capacity is quantified to 2015. This provides the basis for comparing demand and supply, in order to identify potential surplus capacity or shortfalls. The level of capacity utilisation will indicate the likely direction of container handling prices.

Containerport productivity is analysed by country or seaboard, in terms of TEUs per metre of container quay, and TEUs per quayside container gantry crane.

# CONTENTS

## SECTION 1 INTRODUCTION AND EXECUTIVE SUMMARY

The summary and conclusions for the study are presented.

## SECTION 2 DRIVING FORCES AND STRATEGIC ISSUES

The Section reviews the broad macroeconomic framework within which trade in containerised goods has expanded. After four decades of expansion, can the containerised trades continue their pattern of rapid growth? This Section seeks to address this question by analysing factors which could limit expansion.

The changing structure of the containerport industry is also considered, covering such issues as increasing vessel size and port depth, transshipment and the role of international stevedoring companies in terminal operation.

## SECTION 3 DEVELOPMENT OF REGIONAL CONTAINERPORT DEMAND

Demand trends are analysed by port for the following port regions:

- **Middle East:** Containerport demand has been driven by:
  - strong economic expansion stemming from higher oil prices,
  - increasing import demand for consumer products generated by growing middle class prosperity,
  - growing containerised exports of manufactured goods and petrochemical products, and
  - a thriving transshipment market.

This port region is defined to include:

- *Arabian Gulf / Gulf of Oman:* United Arab Emirates, Iran, Eastern Saudi Arabia, Kuwait, Northern Oman, Qatar, Bahrain, Iraq.
- *Arabian Sea / Gulf of Aden:* Southern Oman, Southern Yemen, Djibouti.
- *Red Sea:* Western Saudi Arabia, Jordan, Sudan, Southeastern Egypt, Southern Israel, Eritrea.

- **South Asia:** Economic liberalisation has fuelled both economic and trade growth. Nevertheless, containerport demand is still restricted by capacity and regulatory limitations.

This port region comprises the following port ranges: Indian west coast, Indian east coast, Sri Lanka, Pakistan and Bangladesh.

## SECTION 4 CONTAINERPORT DEMAND FORECASTS TO 2020

The historical relationships between growth in GDP and that in non-transshipment container handling demand in the Middle East and South Asia are examined in this Section. The economic cases which are used in forecasting containerport demand are defined. GDP forecasts to 2020 are provided by country.

Non-transshipment container handling demand is forecast to 2020 for each country or country seaboard.

Container transshipment demand forecasts for the region are derived from the anticipated growth relative to forecast non-transshipment demand, bearing in mind the roles of increasing vessel size, individual carrier decisions, available port capacity and other regional factors in converting direct to transshipped flows.

The forecasts are based on two broad economic growth scenarios; a third scenario is presented to reflect the increased risk of a short-term shock to trade interrupting prevailing growth trends.

## SECTION 5 CONTAINERPORT INVESTMENT PLANS TO 2015

The Section presents a comprehensive review of current and planned containerport investment projects. This provides the basis for capacity forecasts to 2015. (Beyond such a timescale, investment plans become too speculative to derive reasonable capacity forecasts by this method.)

In the Middle East, virtually all ports have programmes to increase capacity and/or their capability to handle larger vessels. In South Asia, planned projects are aimed at developing not only the port sector, but also their hinterland connections, with new roads and rail links, more container train services and depots.

## SECTION 6 CONTAINERPORT CAPACITY & SUPPLY/DEMAND FORECASTS

By aggregating the planned capacity additions from the foregoing Section, the implied development of container handling capacity at regional ports is detailed here.

Anticipated supply/demand balances are quantified in terms of forecast port capacity and container handling demand to 2015. From this, indications of future port utilisation are derived, and likely areas of excess capacity or shortfall are identified.

## SECTION 7 CONTAINERPORT PRODUCTIVITY BY COUNTRY OR SEABOARD

This Section analyses the development of containerport facilities, in terms of the length of quayside devoted to container handling and the number of quayside container gantry cranes.

This development is compared with throughput to calculate average productivity per metre of container quay and per container gantry crane, for each country or country seaboard.

