

UAE: Maritime sector sails on

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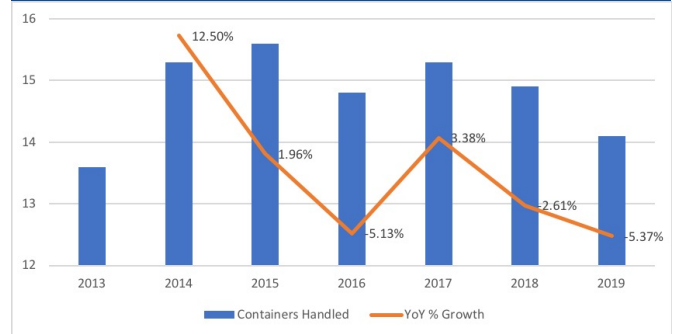
- Although full recovery of the UAE's maritime sector to pre-COVID levels is unlikely this year, Dubai is showing resilience. Performance was relatively flat in Q1 and the emirate has upheld its position as a top global shipping hub.
- We expect robust growth across the sector in mid-2021 as the UAE makes advances in smart shipping technologies and promotes maritime education.
- The new law allowing foreign ownership in maritime businesses aims to encourage investment and is likely to step up Sino-MENA maritime and shipping links.

UAE: Shipping technology at the forefront

The UAE shipping sector has been relatively resilient despite the global collapse of trade and output, and the disruption of freight rates brought on by the pandemic. It has held up in part because of smart technologies, and we expect further innovations to drive this forward, particularly as maritime businesses in the UAE are now open to ownership by foreign investors.

- With more than USD 65B invested in the UAE's ports in 2018 -- equivalent to 35% of regional investment in the maritime business -- the sector accounts for more than 5% of the country's GDP. Dubai, where much of the growth is centred, takes the lead, accounting for around USD 7.5B -- nearly double the USD 4B recorded in 2015.
 - The Dubai maritime sector is responsible for more than 3.5% of the emirate's workforce, that is 76,000 workers.
 - Shipping contributes the largest share to the UAE's maritime GDP, followed by port operations, maritime engineering and other maintenance support services.
- There is no question that the UAE's maritime industry has had a hard time of it this year because of the pandemic. But its recovery looks set to be more robust than elsewhere.
 - Global trade is forecast to plunge by 32% in 2020, and Dubai's Jebel Ali, owned by DP World and the largest port in the region, posted a drop of 4% YoY in trade handling in Q1, down to 3.4 million TEU² from the same quarter in 2019.
 - How global trade and freight rates rebound from this inevitably depends on whether a second wave in infections spreads and if a vaccine will be pushed for this year. Given the UAE's past five lacklustre years, averaging 2.3% compared with the 6.9% high in 2011, growth in shipping to pre-crisis levels is unlikely to return until mid-2021.
 - The recovery outlook for the UAE's maritime activity nonetheless remains healthier than others in the region, particularly due to the rapid COVID-19 measures enacted. For the third consecutive year since 2018, Dubai has retained its position among the top five shipping centres.
 - Based on the International Shipping Center Development (ISCD) Index³, the emirate is ranked ahead of the historically leading maritime cities of Rotterdam, Athens, New York, and Tokyo.

Figure 1 – Containers Handled at Jebel Ali Port (TEU/million)¹



- The UAE is pioneering maritime shipping through smart technology, whilst working towards engaging more of its youth in the sector through education.
 - Earlier in June, DP World completed its integration with TradeLens, a blockchain-based digital container logistics platform. This move is expected to modernise the government-owned logistics company's global supply chain by connecting its 82 marine and inland container terminals with its logistics divisions to improve operational efficiency and visibility. The platform is connected to more than 110 ports and terminals globally.
 - Last year, DP World terminals handled more than 70 million TEU containers from around 70,000 vessels. With digitalisation the UAE will be able to accelerate its logistics operations and trade on a larger scale.
- The UAE is also continuing to expand its maritime education offerings to attract high-calibre young people into the sector. Most recently, the Arab Academy for Science, Technology and Maritime Transport in Sharjah, just to the north of Dubai, launched a series of online training courses.
- We also expect to see the sector change dramatically as a result of the UAE's March 2020 decision to allow full foreign ownership of onshore maritime businesses.
 - While there are already free zones within the UAE, including Dubai International Financial Centre and Abu Dhabi Global Market, the opening to foreign investment is a significant development, particularly as there are no minimum capital requirements for such activities in maritime-related businesses.
 - Alongside this, a new maritime bill is in the process of being drafted to become law this year, replacing the 1981 code.
 - The bill should pave the way for non-UAE ownership of vessels registered in the UAE.
 - Such advances are of significant importance to the development of new trade routes for China as part of Beijing's Belt and Road Initiative.
 - In 2019, more than 60% of Chinese exports to the region passed through the UAE.
 - We expect increasing demand for logistics, which largely relies on maritime shipping.
 - This is an opportunity for both MENA countries and for China's port and shipping industries, and a driver for these industries to improve their international competitiveness.
 - The UAE is certainly continuing to invest in diversifying away from oil.

¹ Arabia Monitor; Dubai Statistics Centre.

² 20-foot equivalent unit, roughly a container.

³ The ISCD index is a ranking system that is based on several indicators and objective criteria, which include the quality and efficiency of infrastructure, port productivity, the scope of maritime support services, and the competitiveness of the business and investment environment.

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