

Transportation & Logistics Sector Profile

Transportation and logistics is a sector with long antecedents in Bahrain due to the Kingdom's history as a trading hub. The Kingdom today features world class transformation infrastructure and connectivity with easy inter-modal connectivity facilitated by the country's geography. Bahrain's diversified economy and strong government initiatives to invest in major infrastructure projects are driving the sector. The sector provides cost-effective distribution and fulfillment solutions as the Kingdom provides the lowest setup and operating costs, as well as the lowest port charges.

Following market disruption due to the pandemic, the transportation and storage sector is recovering steadily with GVA growing by 6% year-on-year to BHD 807 million in 2021. The transportation and communication sector contributed 6.4% to the Kingdom's real GDP in 2021 and employs (2%) of the total private sector workforce.

Backed by advanced and interconnected transport infrastructure, Bahrain offers convenient access to the GCC market by air, road, or sea. Moreover, the region's largest economy, Saudi Arabia, is just a 30-minute drive across the King Fahd Causeway. The Khalifa Bin Salman Port is Bahrain's only commercial port, with over 90% of consumer goods coming through it, making it a significant contributor to Bahrain's non-oil GDP. The Kingdom allows 100% foreign ownership of businesses and real estate, as well as free movement of profits, capital, and dividends for investors.

As part of the Kingdom's Economic Recovery Plan, Bahrain laid the foundation for its new Express Cargo Village that will serve each cargo operator to the highest international standards by accelerating the process of linking operations at Bahrain's international airport with those of Khalifa bin Salman Port and streamlining land transportation procedures, to make the Kingdom a preferred destination for cargo and e-commerce. The Cargo Village supports the logistics sector and by reducing 40% of setup costs with only a 2-hour turnaround time for all containers so that products can reach customers in half the time.

Transportation & Logistics Sector Activities

MOIC - ISIC4

Land transport and transport via pipelines

- Transport via railways
- Passenger rail transport, interurban
- Freight rail transport
- Urban and suburban passenger land transport
- Freight transport by road
- Transport via pipeline

Water transport

- Sea and coastal water, passenger water, and freight water transport
- Inland water, passenger water, freight water transport

Air transport

- Passenger and freight air transport

Warehousing and support activities for transportation

- Warehousing and storage
- Service activities incidental to land, water and air transportation
- Cargo handling

Postal and courier activities

Key Market Trends

- The increased use of supply chain optimization platforms brought significant improvements to the management of logistics such as automation, integration of systems and data, new resources for workers and greater visibility of the supply chain. Businesses are leveraging technology to smooth out transportation processes, as well as streamline and automate operations to increase efficiency.
- The COVID-19 pandemic highlighted the vulnerability of global value and logistics chains and mobility, the sector witnessed an increased shift towards Logistics 4.0 – a designation derived from Industry 4.0, in which technology is used to simplify processes, increase efficiency, and stabilize global supply chains.
- The pandemic also emphasized the importance of multichannel logistics, demonstrating how easily supply chains can collapse under certain conditions. To prevent such a risk, logistics is becoming more diversified. Freight is thus transported by all relevant modes of transport: road, water, rail, or air.
- The Kingdom of Bahrain launched the global sea-to-air logistics hub in the region which is expected to lead to 40% cost savings compared to airfreight and 50% faster lead time than pure sea freight, with only a two-hour turnaround time for all containers.
- The sector is still lagging in supporting global initiatives towards sustainability, despite efforts in leveraging advanced technologies and creating robust transport chains to adapt to environmental conditions. Some of the biggest challenges in the sector remain around operational costs, and most importantly, shifting mindsets, as many businesses are slow to adopt sustainable practices.

Sector Opportunities

- **Bahrain's Logistics Zone (BLZ):** The region's first logistics park offers users an ultramodern gateway to the GCC market. Situated near the Kingdom's main sea, air, and land transport hubs, the BLZ offers businesses a base to establish and operate freely in a customs-bonded area.
- **Express Cargo Village:** The launch of the advanced logistics hub at Bahrain Airport will reduce 40% of setup costs with only a 2-hour turnaround time for all containers so that products can reach customers in half the time.
- **Advanced supply chain technology:** The supply chain management technology landscape is changing rapidly. For businesses to compete and build supply chain agility, processes require automation, and systems and data need to be integrated. Also, by using logistics management software, businesses can both plan and forecast inventory and delivery issues and manage any real-time issues that arise.
- **Crowdsourcing and multichannel logistics:** An emerging method of fulfillment that leverages networks of delivery channels. This model is an opportunity for businesses to cut costs and maximize supply chain efficiency. Using crowdsourced delivery and multiple logistics partners -efficient multi fleet management- cuts operational costs, meets customer expectations, and minimizes failed deliveries.
- **Specialized logistics:** Expanding services to include specialized logistics such as dangerous goods handling and the transportation of valuable items.
- **Value added services in logistics and warehousing:** Increasing competitiveness through the creation of a higher added value services and increasing businesses' value proposition, such as introducing custom services (i.e. packaging and labeling), reverse logistics, shelf services and specialized storage solutions.
- **Sustainability:** Businesses should invest in green logistics practices and route optimization for last mile logistics, which can significantly reduce fuel consumption and decrease their operating expenses. For example, the use of electric trucks, bio-LNG (biological liquified natural gas) or compressed natural gas (CNG) as alternative fuel for last-mile delivery can reduce CO² emissions by 25% and significant reduction in emissions of nitrogen oxide (NO_x) and other particles.

Transportation & Logistics Sector Economic Indicators* iGA-National Accounts, Q4-2021



**BHD
807 M**
GVA, 2021

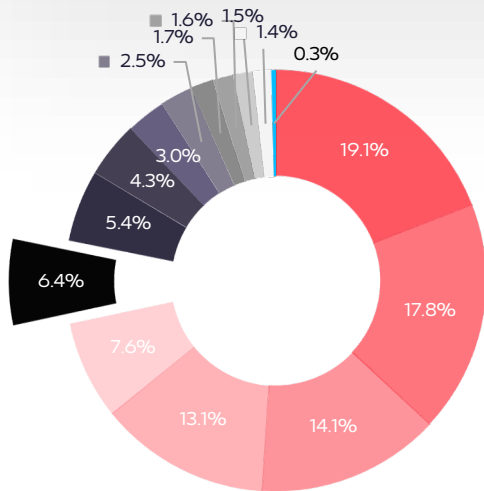


6%
YoY Growth
in GVA, 2021

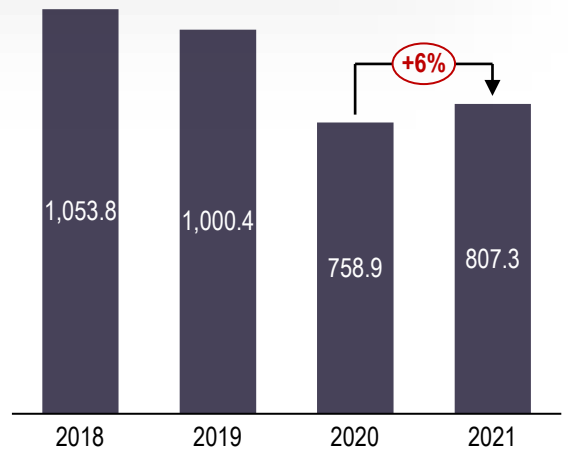


6.4%
Contribution to
Real GDP, 2021

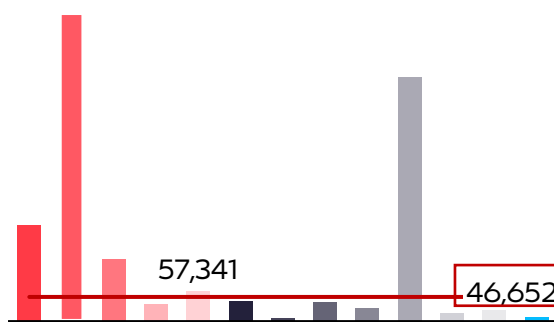
Sectors' Contribution to Real GDP (% , 2021)*



Transportation & Logistics Sector
GVA *** (BHD, M)



GVA per Company (BHD, Q1 2021)



- Mining & Quarrying
 - Manufacturing
 - Construction
 - Real Estate
 - Tax / Import Duties
 - Other Social & Personal Services
 - Accommodation and food services
 - Others**
 - Financial Services
 - Government Services
 - Transportation & Communication
 - Sale/Trading
 - Private Education
 - Electricity & Water
 - Private Healthcare
 - Agriculture
- Average GVA per company

***Gross Value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy

**Other includes Government Services, Private Non-Profit Institutions, Households with Employed Persons

*Data extracted from National Accounts are categorized according to ISIC 3 - hence Transport & Communication are combined as a sector

Transportation & Logistics Sector Enterprises

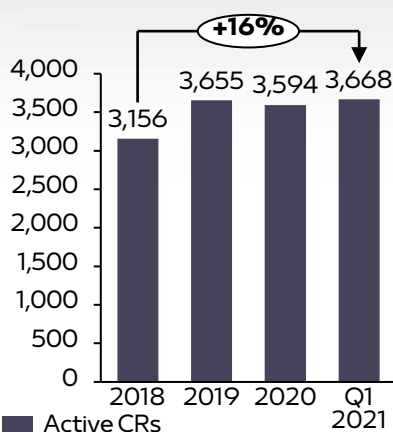
LMRA, Q1 2021 - BLMI



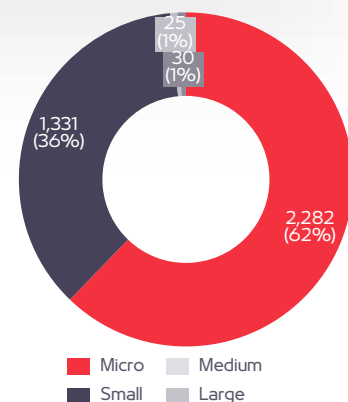
3,668
Active CRs

6%
of total Active
CRs in Bahrain

Transportation & Logistics Sector
Active CRs (2018 - Q1 2021)



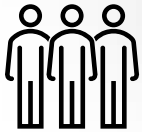
Transportation & Logistics Sector
Enterprise Size (% , Q1 2021)



*New entrants' information is not available

Transportation & Logistics Private Sector Employment

LMRA, Q1 2021 – BLMI / iGA-National Accounts



30,564
Total Employees

6%
(% of Labor Market)



4,651
Total Female Employees

7%
(% Female in Labor Market)



25,913
Total Male Employees

6%
(% Male in Labor Market)



25%
Bahrainization
Ranked 9/18 Sectors



7,519
Bahraini Employees

8%
(% of Total Bahraini Employees)



23,045
Non-Bahraini Employees

5%
(% of Total Non Bahraini Employees)



BHD 1,032
Average Wage of Bahrainis



BHD 332
Average Wage of Non-Bahrainis



BHD 6,915
Labor Productivity
Ranked 5/13 sectors*

*13 sectors as per ISIC 3 / National Accounts, iGA



Bahraini Female Participation

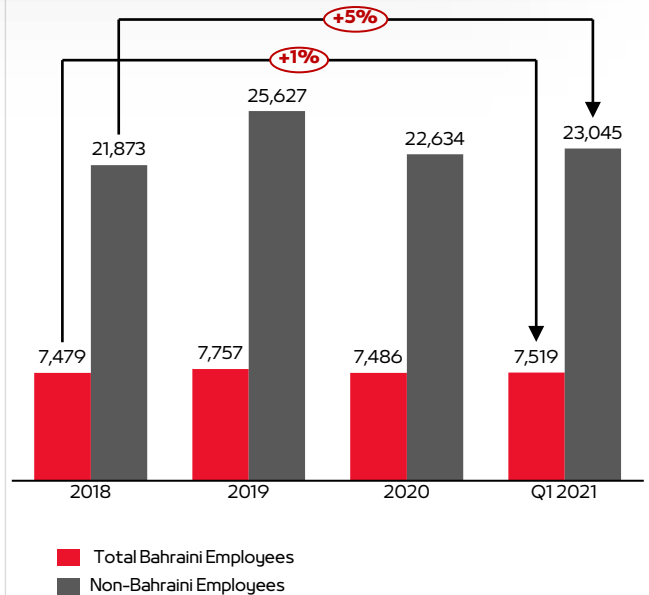
7%
(% of Labor Market)
Ranked 11/18 sectors



Bahraini Male Participation

18%
(% of Labor Market)
Ranked 7/18 sectors

Transportation & Logistic Sector Growth in Employees by Citizenship (2018 – Q1 2021)



Transportation & Logistic Sector Labor Productivity by Sector (BHD per employee, Q1 2021)

