

Kingdom's Logistics & Port Ecosystem Review

Western Ports Driving the Trade Pivot Amid the Iran-US Conflict

May 2026



His Royal Highness Crown Prince and the
Prime Minister of Saudi Arabia
Mohammad Bin Salman Bin Abdul Aziz Al

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Transport and logistics are a major focus of the programs of the Kingdom's Vision 2030 and a vital enabling factor for economic sectors towards sustainable development.

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“The transport and logistics system, supported by the leadership's facilitation, is operating efficiently by boosting the operational capacity of ports, airports, and transport networks to ensure stable supply chains and support local and regional markets.”



H.E. Saleh bin Nasser Al-Jasser
Minister of Transport and Logistic Services of
the Kingdom of Saudi Arabia

Macro-Economic Impact of the US-Iran War Across GCC

Since the outbreak of the US-Iran war on February 28, 2026, the Strait of Hormuz has remained under an effective Iranian blockade, with the Islamic Revolutionary Guard Corps (IRGC) enforcing mandatory clearance requirements on all commercial vessels and toll compliance extracted from operators seeking passage. The broader strategic significance of this disruption is considerable. The Strait of Hormuz functions as the world's most consequential maritime energy chokepoint, accounting for approximately one-fifth of global petroleum liquids consumption and a substantial proportion of seaborne crude oil and LNG trade.

The passage is structurally constrained, with navigable shipping lanes ranging between 24 and 40 miles in width, leaving cargo routing with virtually no viable alternative. Compounding this, export volumes transiting the Strait are heavily concentrated among a narrow group of Gulf producers, namely Saudi Arabia, Iraq, the UAE, Iran, and Kuwait, which collectively account for over 90 percent of global crude and condensate volumes moving through the passage. Any sustained military escalation or operational incident affecting the Strait has historically been sufficient to destabilize global energy markets and generate acute price volatility.

Impact of War across GCC at a Glance

▼ 90% reduction

In dry-bulk traffic through the Strait of Hormuz

▲ 0.01–0.02% to 1–1.5%

War-risk insurance premiums surged as a share of vessel value

▼ -5.2% to -8.5%

Of GDP contraction equivalent to US\$ 103-168 Billion

▲ +3.6 to +9.4%

Estimated increase in unemployment equivalent to 1.17-3.11 Million jobs lost

▼ -0.3% to -0.5%

Of HDI slip equivalent to 1.2-2.0 Years of progress set back

▲ 15% increase

In crude oil futures

Macro-Economic Impact of the US-Iran War on KSA

Saudi Arabia's economy is also adjusting to a sudden shift in external operating conditions. Export channels have become increasingly costly and less predictable, with tighter controls, higher transit charges, and elevated risk premiums affecting shipment flows. While westbound infrastructure such as the East-West Pipeline continues to provide an alternative outlet, overall throughput remains below optimal levels, limiting the Kingdom's ability to sustain pre-conflict export volumes. This has led to a moderation in oil-related revenues and placed pressure on near-term fiscal inflows. At the domestic level, the impact is reflected in softer business conditions and a more cautious private sector outlook.

Forward-looking indicators signal a slowdown in non-oil activity, with purchasing manager indices moving into contraction territory and indicating reduced new orders and output. Consumer-facing sectors have seen a pullback in discretionary spending, while large-scale project execution remains ongoing but with heightened cost sensitivity. The decline in oil production and exports is also feeding through to government revenues, requiring a more measured approach to expenditure. While Saudi Arabia retains strong financial buffers and policy flexibility, the current environment highlights the economy's exposure to external shocks and the importance of maintaining momentum across non-oil growth drivers.

Impact of War on KSA at a Glance

▼ 1.4% reduction

In GDP growth projections by International Monetary Fund

▼ 7.3-point drop

In Purchasing Manager's Index during March

▼ 20% reduction

In oil output to roughly 8 million bpd starting from March

▼ 45% reduction

In luxury hotel bookings during the first two weeks of March

▼ App. 2 Mn bpd reduction

In oil export from 7 Mn bpd to 5 Mn bpd

▼ Ras Tanura shutdown

Though temporary sent shockwaves through the Kingdom's energy supply chain



Macro-Economic Impact of the US-Iran War on KSA

Saudi Arabia's hospitality and tourism sector has experienced a direct demand shock following the outbreak of the US-Iran War February 2026, driven primarily by flight disruptions, travel advisories, and weakened regional sentiment. The sector, which is a core pillar of the Kingdom's diversification strategy, has seen a measurable decline in international visitor flows, with inbound tourism contracting and booking cancellations rising across both religious and leisure segments. Industry estimates indicate high cancellation rates across the region, linked to reduced air connectivity and heightened safety concerns, while broader Middle East tourism demand is expected to decline by 11%–27% in 2026 under conflict scenarios.

At the operational level, the impact is uneven across segments. Religious tourism hubs such as Makkah and Madinah have seen declines in occupancy during peak periods, reflecting reduced international arrivals, while urban markets such as Jeddah have demonstrated relatively greater resilience; maintaining ~55–57% occupancy during Ramadan after an initial disruption phase. At the same time, there has been a partial shift toward domestic tourism, as regional travelers substitute international trips with local destinations. The sector remains functional but under pressure, with lower occupancy, reduced spending, and slower booking cycles, highlighting its sensitivity to external connectivity and geopolitical perception risks.

Impact of War on Hospitality and Tourism in KSA at a Glance

▼ 13% decline

In inbound tourists, reaching 8.3 Mn in Q1 2026 vs Q1 2025

▼ 7% decline

In Inbound Tourism Spending, reaching 48 Bn in Q1 2026 vs Q1 2025

▼ 2% decline

In Total Tourism Spending (Inbound and Domestic), reaching 82.7 Bn in Q1 2026 vs Q1 2025

▼ 30% YoY decline

In hotel occupancy in Makkah during Ramadan

▼ Intrepid Travels

And similar small-scale travel and tourism companies have suspended trips to KSA and GCC countries

▲ 16% increase

In domestic tourists, reaching 28.9 Mn in Q1 2026

Source: Ministry of Tourism, Oxford Economics, Arab News, Insights Research and Analysis

“While geopolitical uncertainty may disrupt travel flows in the short term, destination-led markets with strong domestic demand are better positioned to recover faster, stabilize occupancy levels, and sustain long-term growth. Their ability to rely on local and regional travelers enables greater resilience, allowing these markets to absorb external shocks more effectively and maintain consistent performance despite global volatility.”



Nick Whitford
Senior Vice President

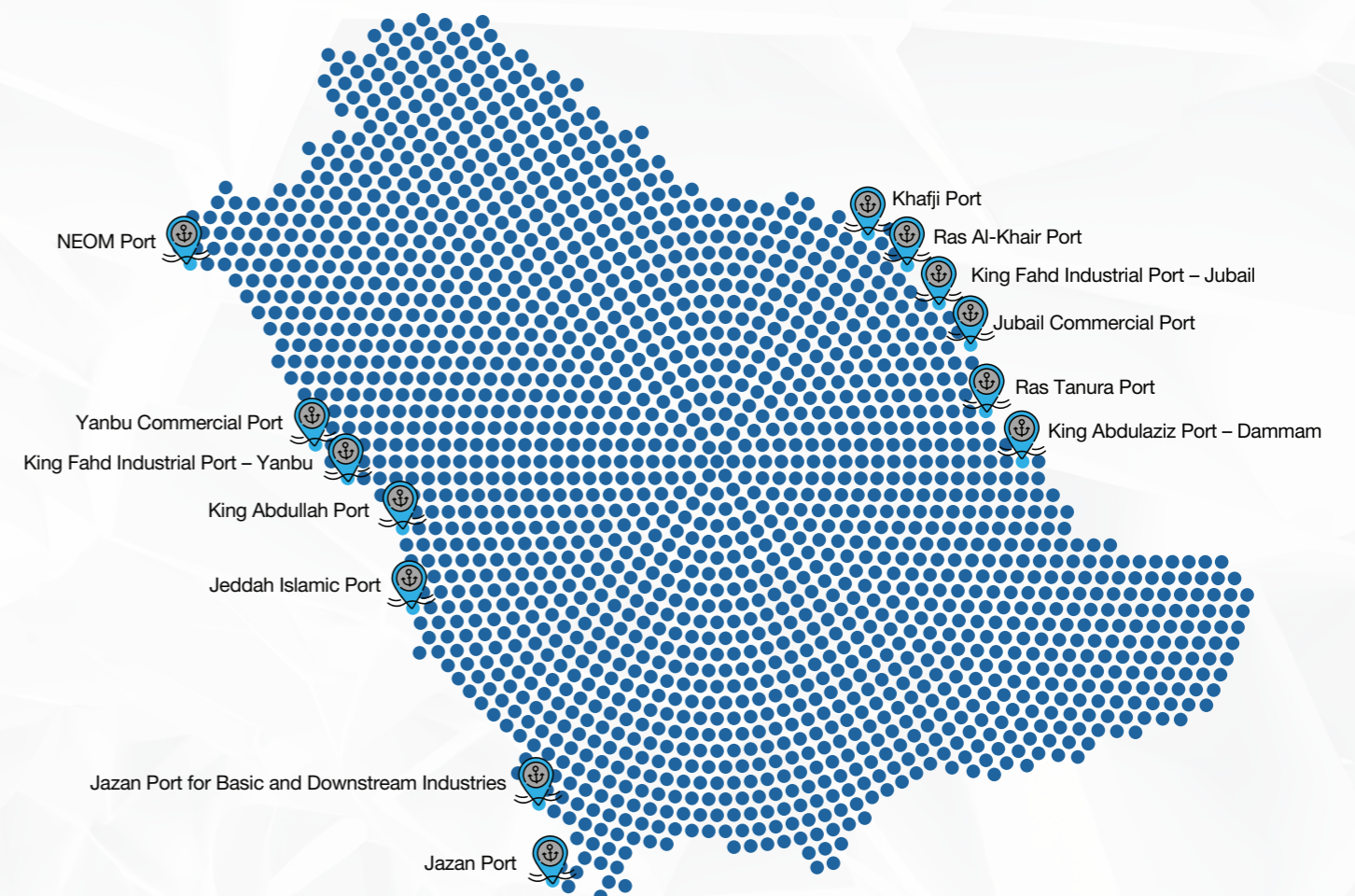


The Kingdom's Export Routes and Connectivity

Saudi Arabia's port network reflects a dual-coast strategy, with a concentration of energy and industrial terminals along both the Arabian Gulf and the Red Sea. On the eastern seaboard, major ports such as Ras Tanura, Jubail Commercial Port, and King Abdulaziz Port in Dammam serve as primary export gateways for hydrocarbons and petrochemicals, supported by integrated industrial clusters. On the western side, facilities including Yanbu Commercial Port, King Abdullah Port, and Jazan Port provide alternative access to international markets, primarily handling westbound trade flows and supporting diversification of export routes. This east-west distribution is further reinforced by inland pipeline connectivity, enabling crude movement between coasts and enhancing logistical flexibility under constrained conditions.

In comparative terms, the current environment has fundamentally altered the balance between eastern and western routes. Historically, the Strait of Hormuz served as the Kingdom's most efficient export route. However, ongoing restrictions have materially reduced trade volumes, limiting its reliability as a near-term export corridor. In contrast, Red Sea routes have become the primary outlet for Saudi exports, offering relative continuity but at the cost of longer transit distances, higher shipping costs, and emerging security risks along the western corridor. While this westward shift provides critical resilience, available bypass capacity remains significantly below the volumes previously handled through Hormuz, reinforcing a structural gap between export capability and market demand under current conditions.

Saudi Sea Ports



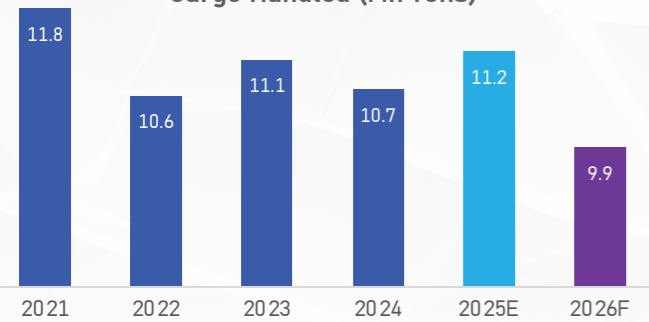
The Kingdom's Eastern Ports In Focus

Cargo Handled (Mn Tons)



Total Area 23 km ²	No. of Berths 14
Handling Capacity 35 Mn Tons	No. of Terminals 1

Cargo Handled (Mn Tons)



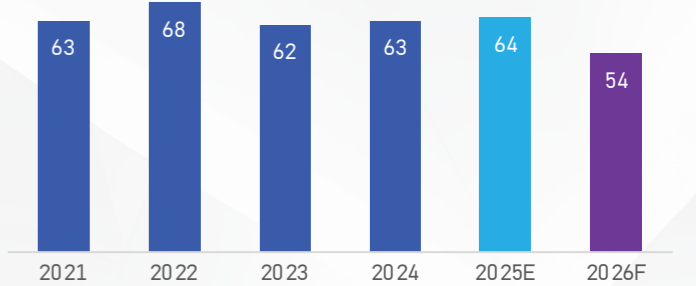
Total Area 4.8 km ²	No. of Berths 16
Handling Capacity 36 Mn Tons	No. of Terminals 2

- The port has the capacity to handle more than 2,000 oil vessels annually and can accommodate up to 16 vessels simultaneously for loading and unloading operations.
- It supports hydrocarbon throughput exceeding 9 million barrels per day.
- It handles 90% of Saudi Arabia's hydrocarbon exports

Total Area 15 km ²	No. of Berths 28
Handling Capacity 500 Mn Tons	No. of Terminals 3

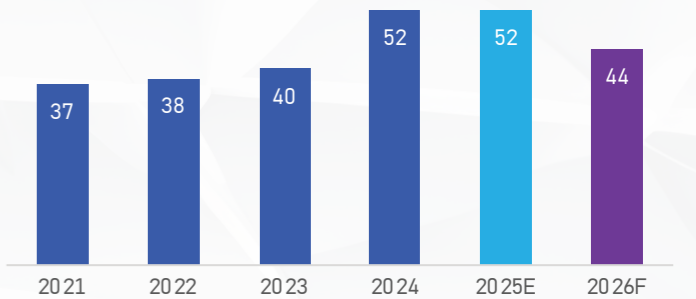
The Kingdom's Eastern Ports In Focus

Cargo Handled (Mn Tons)



Total Area 6.8 km ²	No. of Berths 34
Handling Capacity 70 Mn Tons	No. of Terminals 5

Cargo Handled (Mn Tons)



Total Area 19 km ²	No. of Berths 43
Handling Capacity 105 Mn Tons	No. of Terminals 3

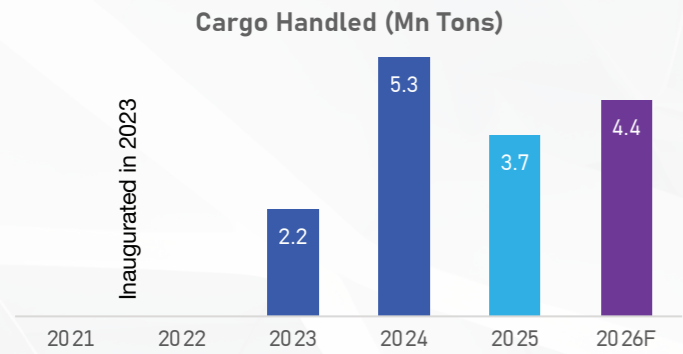
Source: Ministry Of Transport and Logistics Services, Insights Research and Analysis

“The 2026 US–Iran conflict has fundamentally reshaped Gulf trade dynamics, reinforcing the strategic importance of Saudi Arabia’s dual-coast logistics model and accelerating the Kingdom’s transition from a regional energy exporter into a globally integrated trade and supply chain hub.”

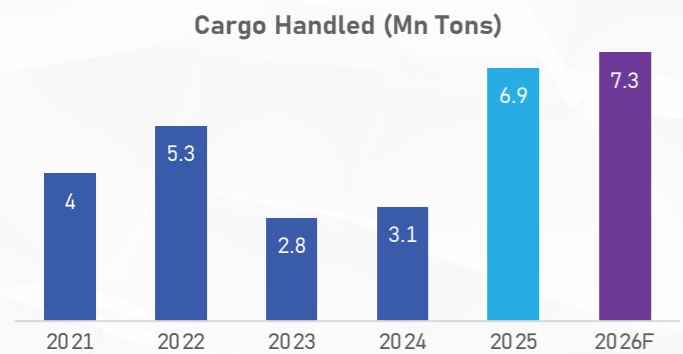


Muhammad Owais Zubair
Senior Manager

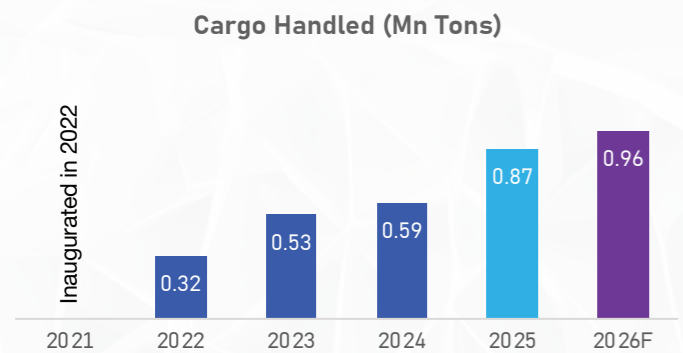
The Kingdom's Western Ports In Focus



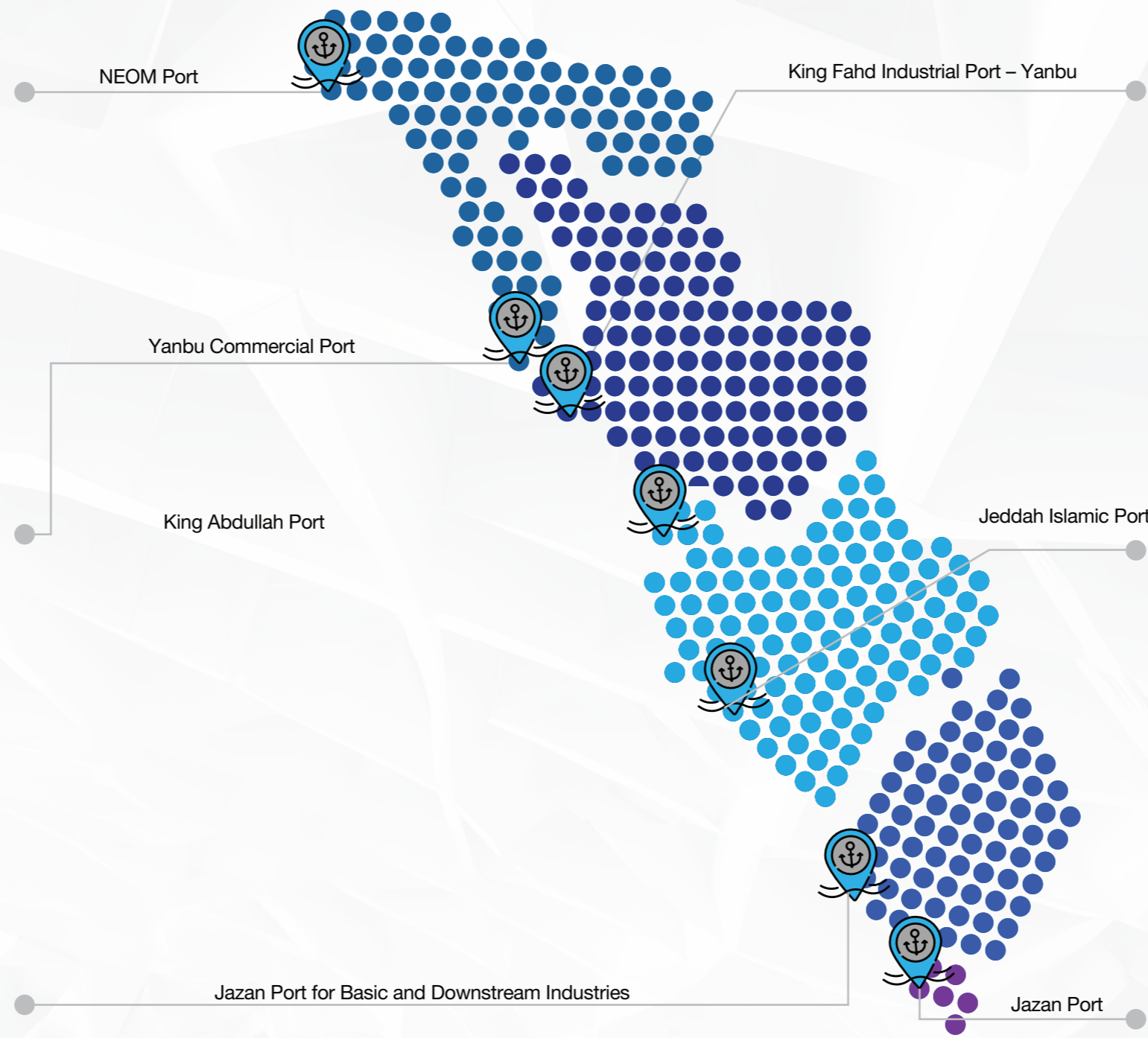
Total Area 6 km ²	No. of Berths 9
Handling Capacity 35 Mn Tons	No. of Terminals 1



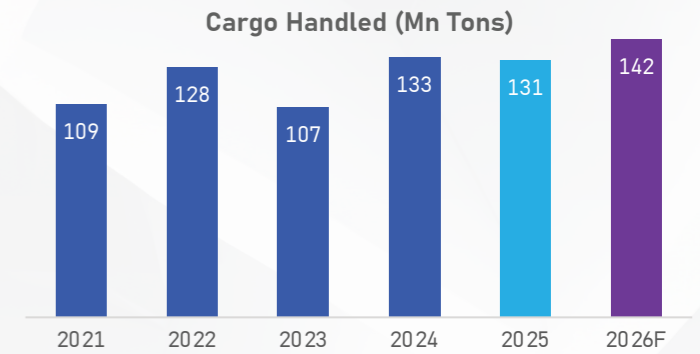
Total Area 4.2 km ²	No. of Berths 12
Handling Capacity 13.5 Mn Tons	No. of Terminals 2



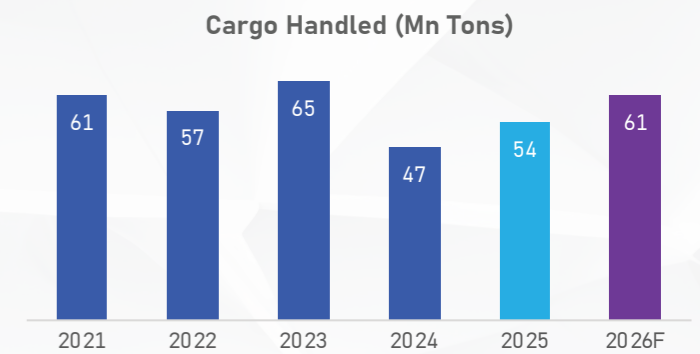
Total Area 7 km ²	No. of Berths 3
Handling Capacity 1.2 Mn Tons	No. of Terminals 3



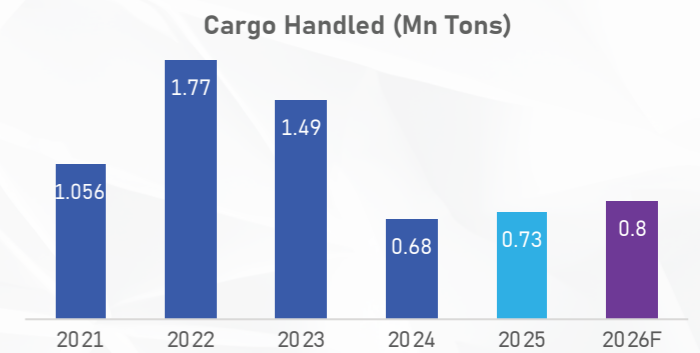
The Kingdom's Western Ports In Focus



Total Area 6.8 km ²	No. of Berths 34
Handling Capacity 210 Mn Tons	No. of Terminals 9

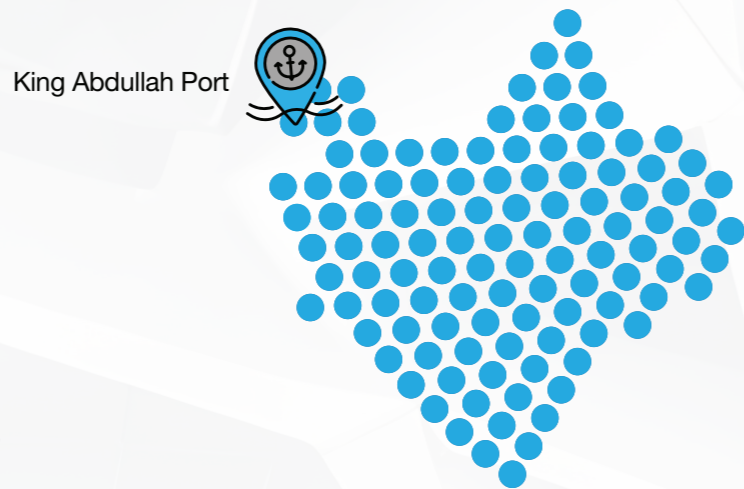
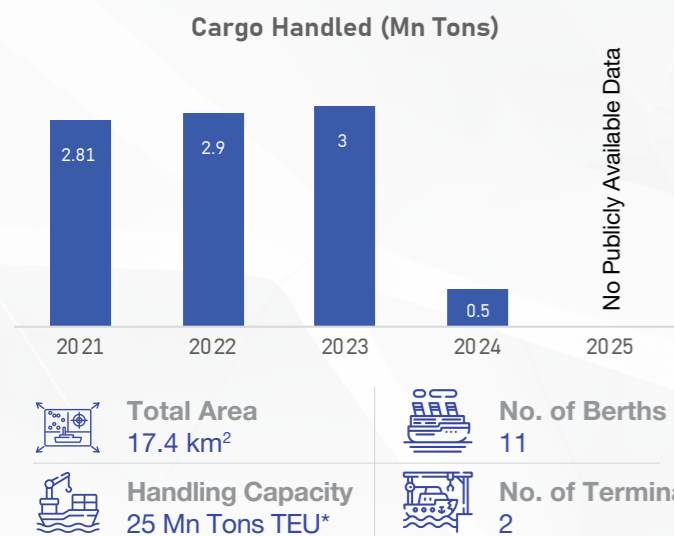


Total Area 12.5 km ²	No. of Berths 62
Handling Capacity 130 Mn Tons	No. of Terminals 3



Total Area 4.2 km ²	No. of Berths 12
Handling Capacity 5 Mn Tons	No. of Terminals 1

The Kingdom's Western Ports In Focus



Source: Ministry Of Transport and Logistics Services, Insights Research and Analysis

Saudi Arabia's western port system has taken on a much stronger role since the US Iran War began in February 2026. It has shifted from a complementary trade corridor to a key export backbone. Large-scale assets such as Jeddah Islamic Port and King Fahd Industrial Port in Yanbu continue to anchor the network, with Jeddah alone handling a significant share of national imports and overall cargo throughput exceeding 130 million tons annually. Yanbu's industrial ports also provide a critical outlet for crude and petrochemical exports through the East West Pipeline. This allows Saudi Arabia to partially bypass disruptions in the Strait of Hormuz. This structural redundancy has proven valuable. It has enabled the Kingdom to redirect flows toward the Red Sea quickly and sustain export continuity at reduced but stable levels.

However, the current environment also reveals structural limitations within the western corridor. Yanbu's throughput has increased significantly in response to eastern route disruptions, with exports rising sharply during the conflict period. Even so, total available capacity remains below the pre-conflict volumes that were previously routed through the Strait of Hormuz. Container-focused assets, such as King Abdullah Port, demonstrate strong operational

efficiency and global connectivity. However, their role is more closely aligned with transshipment and non-bulk trade than with large-scale energy exports. Similarly, smaller ports such as Jazan and Yanbu Commercial Port provide important regional support. However, they do not have sufficient scale to materially offset national export constraints.

From a system-wide perspective, the western network offers clear strategic advantages. It provides greater geopolitical insulation and stronger access to European and African markets. These advantages are further supported by ongoing investment and infrastructure expansion under Vision 2030. At the same time, the western corridor faces its own constraints. Longer shipping routes to Asia, capacity bottlenecks, and security risks along the Red Sea create additional cost and operational pressures. Maritime activity in the Red Sea is also exposed to intermittent threats linked to Houthi movement activity, adding further uncertainty. As a result, Saudi Arabia's western ports provide critical resilience under current conditions. However, they remain a partial substitute, not a full replacement, for eastern export routes. This reinforces the need for a balanced dual-coast logistics strategy.

Note: King Abdullah Port is NOT a bulk cargo-heavy port (like Yanbu or Jubail). It is primarily a container and transshipment hub, so data is reported in TEUs, not million tons.

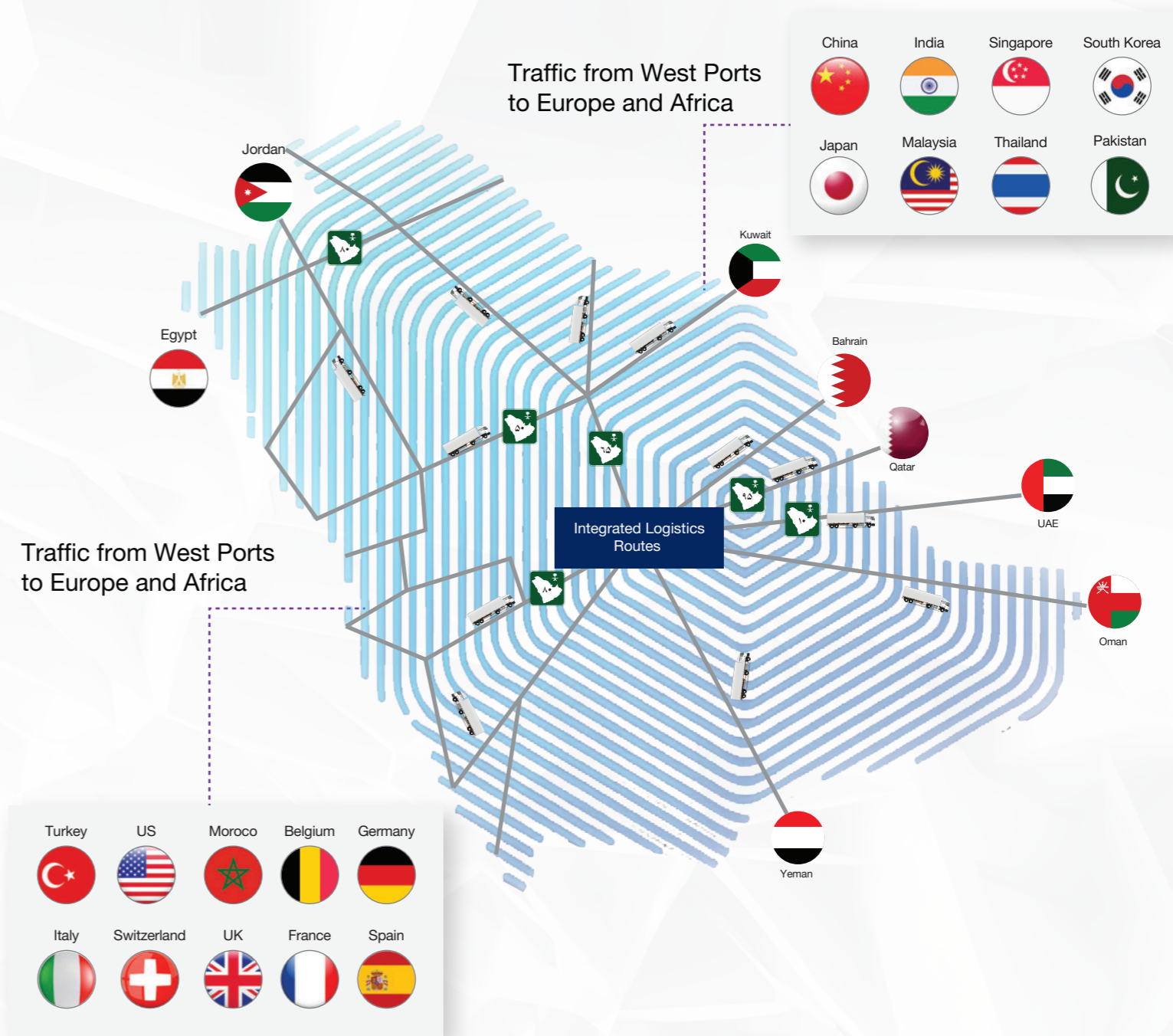
*TEU is the standard unit of measurement in shipping, representing the cargo capacity of one 20-foot long ISO container

	Total Area 17.4 km ²		No. of Berths 11
	Handling Capacity 25 Mn Tons TEU*		No. of Terminals 2

The Kingdom as a Regional Trade Bridge

Saudi Arabia's integrated logistics network positions the Kingdom as a central transit bridge, enabling the movement of cargo and energy between the Arabian Gulf and the Red Sea through established land and pipeline corridors. This connectivity allows flows to be redistributed across coasts, maintaining trade linkages between Asia, Europe, and Africa and reinforcing the Kingdom's role as a key intermediary in regional and

global supply chains. This positioning is supported by a network of industrial ports, logistics hubs, and inland transport links that connect production centers with export terminals across both coasts. As a result, the Kingdom is able to facilitate cross-regional trade flows, optimize routing flexibility, and strengthen its role as a logistics gateway within broader international shipping networks.



Current Challenges

(Logistics, Ports & Maritime Trade)

Severe Route Disruption:

Shipping through the Strait of Hormuz remains materially below normal levels, forcing rerouting and reducing overall throughput capacity.

Capacity Mismatch:

Westbound alternatives (e.g., East-West Pipeline ~7M bpd capacity vs ~4.5M actual flows) cannot fully replace eastern export volumes, creating a structural supply gap.

Rising Logistics Costs:

Rerouting via Red Sea and land corridors increases transit time, fuel costs, and insurance premiums, with costs passed downstream across supply chains.

Shipping Disruptions:

Major global carriers have suspended or reduced bookings to the region, directly impacting container trade flows, vessel availability, and overall port utilization levels.

Security Spillover Risk:

Red Sea routes face added exposure (e.g., Bab al-Mandab disruptions), meaning risk is redistributed rather than removed.

Global Demand Impact:

The conflict-driven increase in oil prices (~\$90/bbl) has raised transportation, fuel, and production costs globally, making trade less economical and prompting businesses to reduce shipments, delay orders, and optimize inventory, ultimately slowing global trade growth (~1.4%) and resulting in fewer vessel calls, lower container throughput, and reduced bulk cargo volumes across ports.



Future Outlook

(Near-Medium Term)

Recovery Trajectory:

GCC growth is expected to recover from ~1.1% (2026) to ~4.8% (2027), likely supporting a gradual normalization in trade volumes and port activity.

Structural shift to diversification:

Continued investment in ports (>\$6B+ committed) and logistics zones is expected to expand capacity and reduce reliance on single-route exposure.

Emergence of hybrid corridors:

Multimodal routes (sea + land) are likely to reduce transit times by up to 50%, improving system resilience and operational efficiency.

Logistics sector growth:

Saudi maritime logistics is projected to grow from \$1.8B (2025) to \$2.7B by 2034, supported by infrastructure expansion and trade diversification.

Rail and inland integration:

Ongoing rail development is expected to reduce delivery times and strengthen connectivity between ports and inland markets.

Long-term positioning:

Saudi Arabia's dual-coast model and strategic geographic positioning are expected to reinforce its trajectory toward becoming a leading global logistics hub, enabling efficient linkage between Asia, Europe, and Africa while supporting diversified trade flows, despite ongoing near-term disruptions and capacity constraints.

2026

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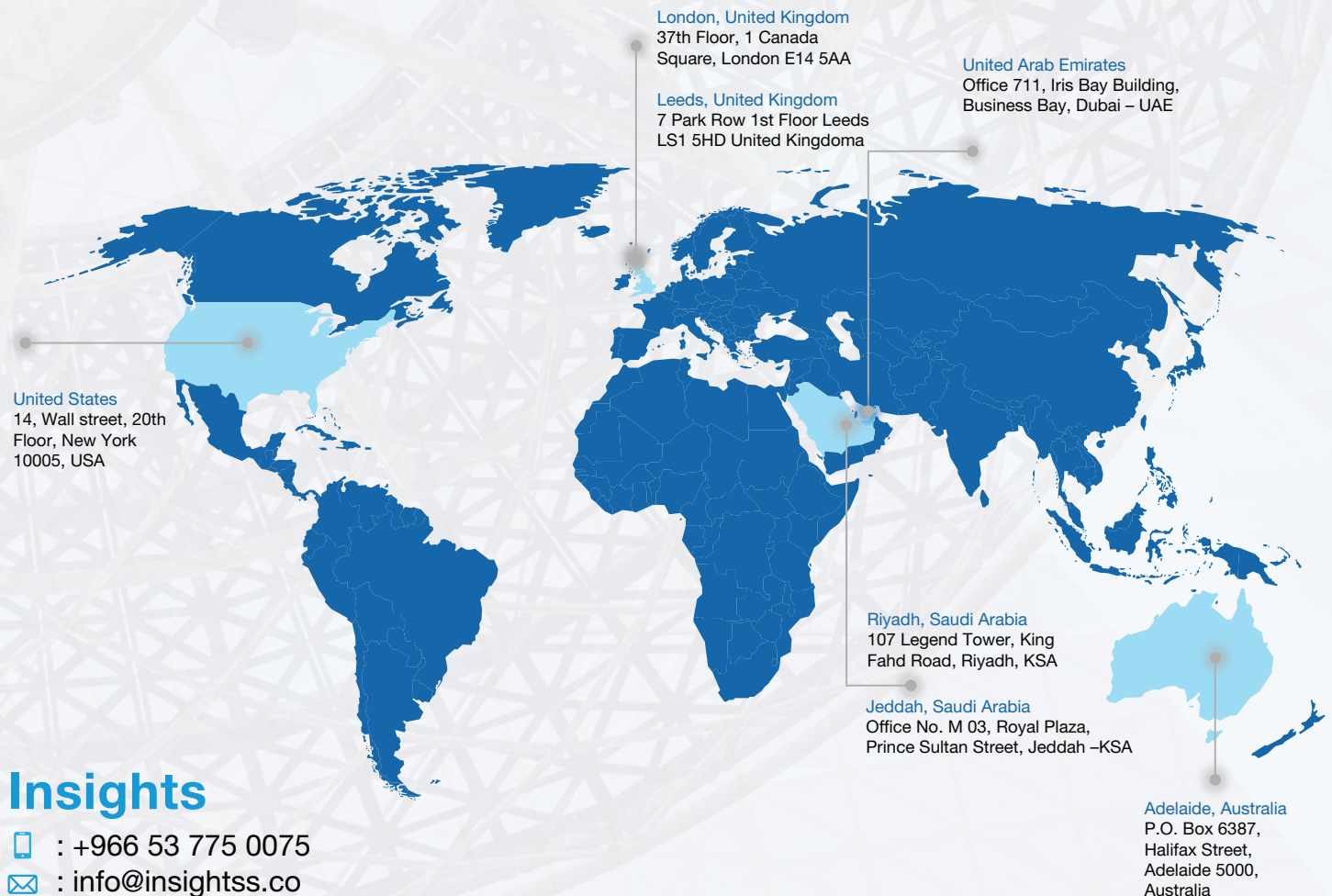
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