PROACTIVE MEASURES

WELL-POSITIONED TO DRIVE EXPANSION

Malaysia's ports have remained resilient despite disruption arising from Red Sea crisis, says analyst

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MALAYSIAN ports are set to drive trade and economic growth in the coming quarters, having demonstrated resilience despite disruptions caused by the Red Sea crisis, said an industry analyst.

Agyl & Partners managing partner Wan Agyl Wan Hassan said Port Klang (including Northport and Westports) and the Port of Tanjung Pelepas (PTP) had shown impressive resilience this year.

Port Klang, the second largest port in Southeast Asia, advanced to 11th place in the 2023 rankings of the world's top 100 busiest container ports, according to Lloyd's List.

Meanwhile, PTP was the fifth most efficient container port in the world and secured first place in the Southeast Asia region, according to the 2023 Container Port Performance Index (CPPI).

Wan Agyl said these ports were well-positioned to play a key role in driving trade growth and stood to benefit from the recovery of the global economy.

However, Wan Agyl cautioned that while Malaysia's strategic location and its ports' ability to manage increased traffic had provided an advantage during the Red Sea crisis, this surge could be temporary.

He said global supply chain disruptions were affecting major industries such as chemicals and automotive, while high shipping costs to Europe continued to challenge exporters, potentially impacting the competitiveness of Malaysian goods.

"While the ports are capitalising on the current situation, it's crucial for Malaysia to remain proactive, preparing for potential shifts in global trade and ensuring that infrastructure and capacity keep pace with growing demands," he told 'Business Times'.

On another note, Wan Agyl said Malaysia's ports also faced intense competition from Singapore, which boasted advanced technology, strong global partnerships and a well-established reputation.

He said they were also contending with rising competition from Vietnam and Indonesia, with the countries rapidly modernising their ports and offering lower labour costs.

He said external risks, such as global economic slowdowns and the increasing focus on sustainability in shipping, added another layer of uncertainty.

He stressed that Malaysia's ports must focus on more than just expansion in order to stay competitive.

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Agyl & Partners managing partner

Penang Port Sdn Bhd chief executive officer Datuk Sasedharan Vasudevan

Westports Holdings Bhd executive chairman and group managing director Datuk Ruben Emir Gnanalingam Abdullah

"They need to invest in technology, improve operational efficiency, and develop a unique value proposition to attract global shipping lines and stay ahead of regional rivals."

Wan Agyl added that infrastructure and investment plans like the New Industrial Master Plan 2030 offered long-term growth potential.

However, delays in project implementation and rising operational costs may limit short-term gains.

"High inflation and reduced consumer spending could also slow down trade volumes, making it crucial for the ports to focus on improving efficiency, expanding capacity and adapting to new global trade realities, to stay competitive," he added.

Meanwhile, PTP, a MMC Corp Bhd subsidiary, is set to invest RM3 billion over the next five years to boost its capacity by 3.5 million twenty-foot equivalent units (TEUs).

Similarly, Penang Port has allocated RM2 billion to expand the North Butterworth Container Terminal, aiming to increase its quayside capacity to 4.1 million TEUs by 2050.

Malaysia is also looking forward to new port developments, including projects at Carey Island in Selangor and Sanglang in Perlis.

Penang Port Sdn Bhd chief executive officer Datuk Sasedharan Vasudevan said recently container throughput growth at the port was expected to slow this year due to the Red Sea crisis, which forced ships to use a longer route around Africa.

The port has adjusted its forecast from 1.55 million TEUs to 1.5 million.

Westports Holdings Bhd announced the launch of its Westports 2 container terminal expansion, which would add eight more terminals.

Executive chairman and group managing director Datuk Ruben Emir Gnanalingam Abdullah said the expansion would double the port's container handling capacity to 28 million TEUs.

He said the Westports 2 project was essential not only to meet current demand but also to prepare for the expected growth in trade volume over the next decade.

He said the expansion was projected to contribute RM55 billion to the economy, based on an economic impact assessment report by PwC dated Dec 12, 2022.

Additionally, Ruben said Westports had contributed nearly RM4 billion to the government through corporate taxes and lease payments, a figure expected to increase over the next 30 years under the new Westports 2 agreement.