SECTOR STUDY . JUNE 2024

Together. Creating Value.

Shipping

Research Team

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Introduction | Types of Ships

Container Ships

A ship structured specifically to hold huge quantities of cargo compacted in different types of containers.

Bulk Carrier

The cargo transported in such ships is loose cargo i.e. without any specific packaging to it and generally contains items like food grains, ores etc.

Tanker Ships

Specialized ships for carrying a large amount of liquid cargo. They are further sub-divided into different types
i.e. Oil Tankers, Liquefied Gas Carriers etc.

Roll-on Roll-off Ships

These are the ships that are used to carry wheeled cargo i.e. Cars, trucks, buses etc.

Source: Marine Insights

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Introduction | Types of Ships

Passenger Ships

As the name suggests, these are used for transiting passengers. Mainly classified into Ferries & Cruise Ships.

Offshore Ships

These ships mainly help in oil exploration and construction jobs at sea. These include supply ships, pipe layers, crane barges etc.

Fishing Ships

These ships are used for recreational and commercial fishing at sea. These are classified into two types i.e. trawlers and non-trawler ships.

Specialty Ships

These ships have onboard machinery and equipment to perform special tasks. These include: anchor handling tug supply, drilling ships etc.

Source: Marine Insights

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Introduction | Types of Ships

High-Speed Craft Ships

As the name suggests, these are high speed water ships also called fast ferry. Most high speed craft serve as passenger ferries but largest ones also carry cars, buses, large trucks and freight.

Dredgers

Dredgers are types of ships that have excavation tools used for removing sand and other types of deposits from the seabed. Dredgers are used for several purposes, such as deep-sea mining.
They are classified into two types: mechanical dredgers & hydraulic dredgers

Source: Marine Insights

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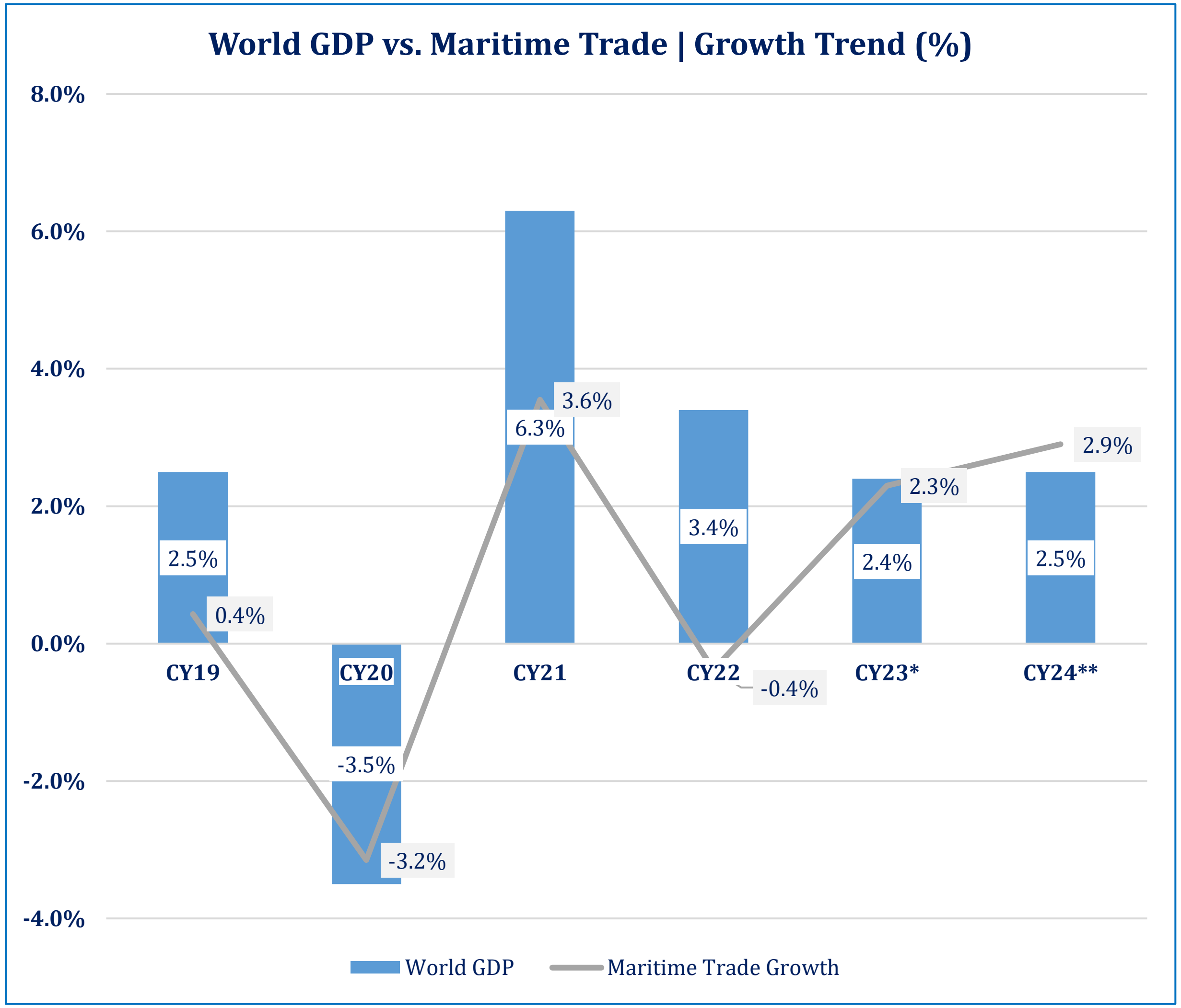
Global | Overview

- In CY23, global shipping sector accounted for ~80.0% of the world trade in terms of volume and ~70.0% in value terms. This included international bulk transportation of raw materials, commodities, dry and liquid goods, perishable food items, and manufactured goods as well as capital goods.
- Growth in maritime trade moved in tandem with global GDP during CY19-22, seeing as, in CY22, trade formed ~63.0% of global GDP. In CY22, seaborne trade, was impacted by the war in Ukraine (particularly dry bulk and tanker shipments).
- In CY23, global sectoral dynamics were influenced by factors like high interest rates, growing influence of industrial policy on trade strategies of major economies as well as geostrategic policy approach to international economic relations.
- Between Nov'23-Apr'24, a prolonged drought in the Panama Canal resulted in ~8x higher tolls paid by vessels, while ship attacks that in the Red Sea in the wake of Gaza war compelled major ocean carriers to suspend Suez transits and to reroute through the Cape of Good Hope, adding ~12-20 days of transport. These respectively catered ~2-3% and ~12-15% of global maritime trade in previous years.



*Estimated **Projected

Source: OECD, Review of Maritime Transport, 2023, UNCTAD, WB

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Global | Vehicle Fleet

- Global fleet was valued at USD ~1.26trn in CY23 (SPLY: ~1.9trn), with top ten countries accounting for ~66.7% of the total, with Greece (~11.8%) leading, followed by China (~11.04%), and Japan (~10.73%).
- In CY23, global shipping fleet comprised ~105,500 ships, registering ~1.9% YoY growth. In Jan'23, global fleet reached a carrying capacity of ~2.3bln dead weight ton (DWT), ~70mln dwt more than SPLY (or ~4.5% increase YoY).
- Average age of the ships around the globe was recorded at ~22.2 years during CY23 (SPLY: ~21.9 years), while highest proportion (~41.8%) was attributed to more than ~20 years old ships (SPLY: ~41.0%)
- During the year, Asia contributed ~42.0% to global maritime trade, while Panama came out as the leading flag registration country in terms of deadweight ton (DWT).

January | CY23		
Maritime Trade Growth	**Total Global Fleet (by carrying capacity)**	**Carrying Capacity**
~2.3%	~105,500 Ships	~2.3bln DWT
Trade Volume	**Average Age**	**Highest Proportion**
~12bln MT	**~22.2** Years	**~> 20** Years Old Ships
Highest Maritime Trade Share	**Top Country – Carrying Capacity**	**Country Leading Flag Registration* (DWT)**
Asia ~42.0%	**Greece** ~11.8%	**Panama** ~12.9%

**A Flag State refers to a nation where shipowners or shipping companies get their commercial or recreational ships registered. Hence, the registered ships have to carry the flag of that state. Panama is the largest flag State in the world.*

Source: Review of Maritime Transport 2023

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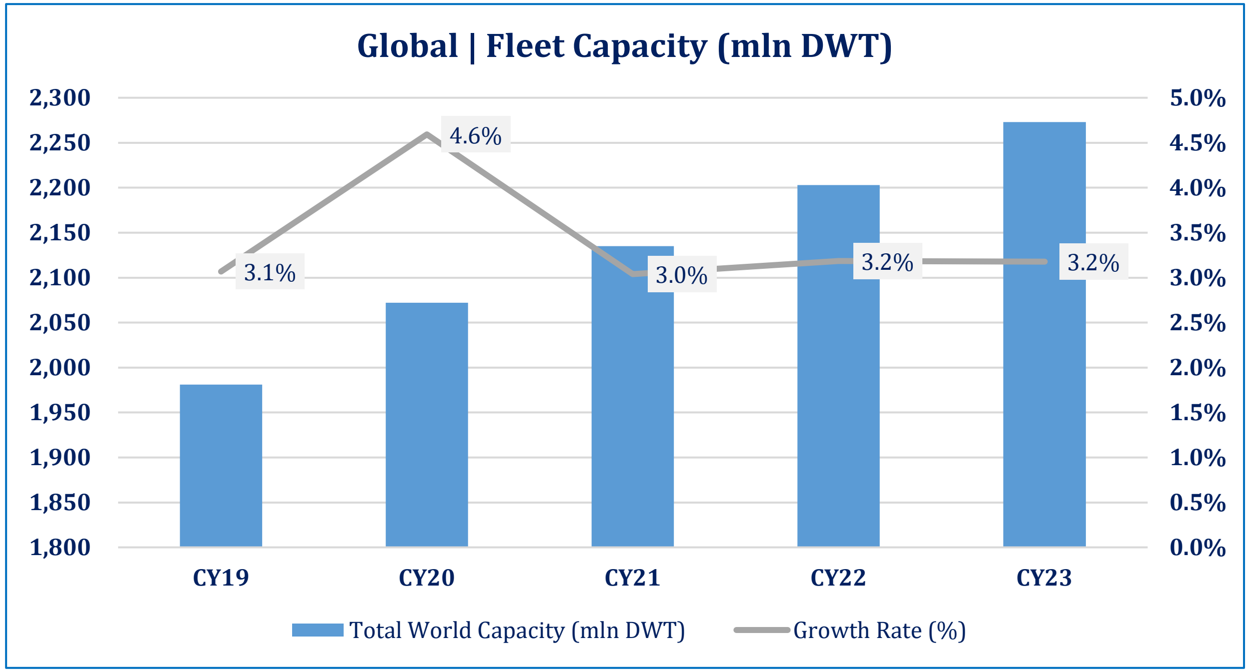
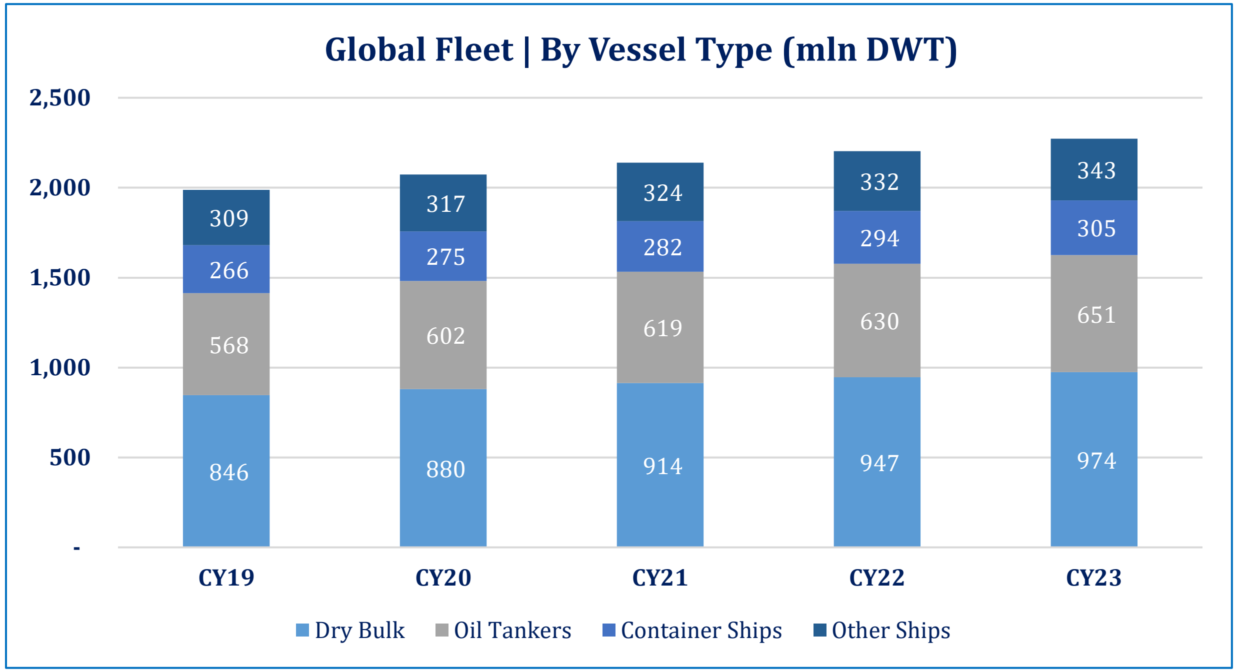
Global | Fleet Capacity





- The global fleet capacity expanded by ~3.1% YoY in CY23 and stood at ~2,273mln DWT. In the global fleet principal ship types, the proportion of the dry bulk is highest at ~42.9%, followed by oil tankers (~28.6%), containers (~13.4%), and other ships (~15.1%).
- During CY23, both offshore supply ships and gas carriers contributed the highest to “other ships” (~7.7%), closely followed by general cargo ships (~3.6%). Amongst other types are; chemical tankers (~2.3%), ferries and passenger ships (~0.40%) and others (~1.1%).

Source: Review of Maritime Transport 2023

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Global | Top Fleet Owners

- Global carrying capacity was recorded at ~2,253mln DWT, up by ~3.3% YoY. Meanwhile, the total number of registered ships ~2.8% YoY increase, recording at ~56,591 units.
- With respect to the carrying capacity measured in deadweight ton (DWT), the top ten countries with the highest ownership of the world fleet are depicted below. Greece has a total capacity of ~393mln DWTs, highest in the world with ~17.4% global share (SPLY: ~17.6%), followed by China with a share of ~13.4% (SPLY: ~12.7%) and Japan with a share of 10.5% (SPLY: ~10.9%).

Ownership of Global Fleet | Carrying Capacity (DWT) | CY22

Sr.	Country	Total No. of Ships	Carrying Capacity (mln DWT)	Total as % of World
1	Greece	4,936	393.0	17.4%
2	China	8,839	301.9	13.4%
3	Japan	4,023	237.6	10.5%
4	Singapore	2,813	140.8	6.2%
5	Hong Kong, China	1,842	117.2	5.2%
6	Republic of Korea	1,696	97.1	4.3%
7	Germany	2,156	76.9	3.4%
8	Taiwan Province of China	1,054	58.5	2.6%
9	United Kingdom	1,332	58.0	2.6%
10	Norway	1,918	55.5	2.5%
	Rest of the World (ROW)	25,982	717.0	31.9%
	World	**56,591**	**2,253.5**	**100.0%**

Note: *Latest data available is for CY22 from the Review of Maritime Trade 2023.*

Source: Review of Maritime Transport 2023

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Global | Ship Recycling & Breaking

Top Ship Recycling Countries | CY22 (000 Gross MT)*								
Ship Type	**Bangladesh**	**Pakistan**	**India**	**Türkiye**	**China**	**Rest of the World**	**World Total**	**Share (%) by Ship Type**
Oil Tankers	1,411	649	533	57	28	37	**2,715**	36.1%
Bulk Carriers	1,148	513	578	0	131	0	**2,369**	31.5%
Others	226	106	1,166	419	13	337	**2,268**	30.1%
Container Ships	15	0	156	0	7	0	**178**	2.4%
Total	**2,800**	**1,268**	**2,433**	**476**	**179**	**374**	**7,530**	**100%**

- Volumetrically, ship recycling declined by ~50.8% YoY in CY22, recording at ~7.5mln MT. Although this decline was mostly attributable to strong markets encouraging owners to retain ships rather than dismantle, there were other factors present such as limitations on imports of ships (Bangladesh and Pakistan) that led to the decline.

- Oil tankers had the highest proportion of ~36.1% in global ship recycling in CY22, while bulk carriers accounted for ~31.5%. Bangladesh accounted for ~37.1% of global ship recycling in CY22, whiles shares of India, Türkiye and China stood at ~32.3%, ~6.3% and ~2.3%, respectively. Meanwhile, Pakistan's share in global recycling stood at ~16.8% in CY22 (SPLY: ~19.2%), Other ships, including general cargo ships, liquified gas containers, chemical tankers, offshore supply and ferries and passenger ships comprised ~30.1% share during the year.

- The dominance of ship recycling in Asia can primarily be attributed to lower labor costs and limited scope of health and environment regulation as opposed to western countries where ship breaking is negligible due to strict regulations especially in Eurozone countries regarding the environmental impacts of ship recycling.

***Note:** Latest data available is for CY22. *Gross MT reflect the size of the ship*

Source: Review of Maritime Transport 2023, IRSA

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Global | Ship Recycling & Breaking

- Until the 1970s, ships were dismantled mainly in Europe and the US, when social and environmental protection laws became stricter, the industry shifted to areas where legal frameworks are weaker i.e., Asia. During CY23, the vast majority of ships were broken in South Asia (Bangladesh, Pakistan, India, China and Türkiye) which account for ~95.0% of ship breaking and recycling.
- Ship breaking and recycling has a number of hazardous results such as workers being killed, impaired for life, exposed to toxics that cause cancers, and sensitive coastal environments are ruined.
- The minimal ship breaking activities that happen in Europe have strict rules and regulations laid down by the International Ship Recycling Association (ISRA) and is founded by the EU. The association promotes and facilitates the environmentally sound and safe recycling of ships and ensures important social, human health and environmental impacts of ship recycling are not violated.
- The three goals of ISRA constitute, (i) ensuring that the EU does not export its waste challenges to third world countries, (ii) making it easier to transport waste for recycling and reuse in the EU and (iii) better tackling illegal waste shipments.
- In CY22, recycling increased most for bulk carriers, by ~84.1% YoY, while that for oil tankers declined by ~66.9% YoY, which accounted for more than half of the recycled volumes. Owners of other ship types were more likely to hang on to their existing carrying capacities in view of potential profitability.
- The ship breaking and recycling industry is an important source of scrap metal, despite a slowdown in recycling in CY22, the ship breaking industry has been performing well, therefore it is anticipated to remain have a stable outlook.

Note: *Latest data available is for CY22.*

Source: Review of Maritime Transport 2023, IRSA

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Global | Outlook

- The shipping sector has been transformed by horizontal and vertical integration through mergers and acquisitions. Consolidation in the shipping market reduces competition and constrains supply. It can lead to market power abuse, higher shipping costs for businesses and thus higher prices for consumers.
- Over the last 25 years (1998-CY23), the top 20 carriers in the shipping sector have almost doubled their market share from ~48.0% to ~91.0%, whereas, the four largest carriers now control more than half of the global container shipping capacity.
- Global maritime trade is expected to accelerate but at a moderated growth in maritime trade volume to ~2.1% annually for the period CY24-28. External factors like the Russian-Ukraine war, climate changes and geopolitical tensions have caused chaos for maritime transport such as over-crowding on some ports while closing down others, that have resulted in delays and pushed up shipping costs.
- Additionally, ship owners are holding off buying new ships, despite greater demand, and are maintaining existing fleets because of surging borrowing costs, a possible economic slowdown and strict environmental regulations. Also, as a result of new environmental regulations, ship owners are having uncertainties regarding the most efficient alternative fuels and ways of reducing carbon.
- Rapidly slowing growth in Europe's largest economies amid general high inflation and soaring electricity prices, and a gloomy situation for global economic growth, pose risks to the industry as a whole.
- Therefore, in light of these circumstances, the outlook of global shipping industry seems to be slightly weaker but stable since ~80% of world trade is dependent on seaborne transport.

Source: Review of Maritime Transport, 2023, UNCTAD, Moody's

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Local | Overview

- Seaborne trade holds a significant importance Pakistan's economy since the country's coastline (>~1,000km) dominates sea traffic to and from the Suez Canal, Arabian Sea and Persian Gulf on one side and India to Far East on the other.

- In volumetric terms, seaborne trade of the country dropped by ~22.3% YoY to ~82.9mln MT in FY23 from ~106.8mln MT in FY22. Despite the volumetric decline, sector's gross revenue increased by ~97.6% YoY in FY23 on back higher AFRA rates (covered later) and 39.1% YoY currency depreciation.

- The gross revenue during 9MFY24 was recorded at PKR~35,009mln (SPLY: PKR~42,379mln) a ~17.4% YoY decline. Several international shipping companies operate in Pakistan, facilitating the transport of liquid and dry bulk cargo. Some of the notable ones include Maersk Line, Evergreen Line and Hapag-LIoyd.

- Country's national flag carrier, PNSC, is an autonomous corporation, which functions under the overall control of the Ministry of Maritime Affairs, and is listed on PSX. Of the total seaborne trade, PNSC transported ~13.0% (~10.8mln MT) in FY23 compared to ~11.2% (~11.9mln MT) in FY22.

Particulars	FY22	FY23	9MFY24
Gross Revenue (PKR mln)	27,714	54,771	35,009
Shipping Corporations | Local (No.)	01		
Structure	Listed & Monopolistic		
Total Seaborne Trade (mln MT)	107	83	83*
PNSC Share in Total Seaborne Trade	11%	13%	13%*
Fleet Size (No.)	13	12	12*
Tankers (No.)	8	7	7*
Dry Bulk Carriers (No.)	5	5	5*
Association	All Pakistan Shipping Association		
Regulator	Ministry of Maritime Affairs		

Note: *Gross Revenue is reflective of one sector player and includes Local Sales and others. *Latest Available figures are of FY23.*

Source: PACRA Database, PNSC

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PACRA Together. Creating Value.

Local | Overview

- In 1974, Pakistan's shipping sector was nationalized with all ship-owning businesses merged under the Pakistan Shipping Corporation (PSC). Later, Pakistan National Shipping Corporation (PNSC) was established in 1979 after the National Shipping Corporation (NSC) was merged with Pakistan Shipping Corporation (PNSC). PNSC is listed on Pakistan Stock Exchange since 1980.

- As of May'24, PNSC is majorly owned by the Government of Pakistan (GOP) (~87.6%), through the Ministry of Maritime Affairs, followed by the PNSC Employees Empowerment Trust (~1.6%), bringing the total GOP holding to ~89.1%. The Ministry of Maritime Affairs oversees the Corporation and monitors its regulatory framework.

- PNSC has a unique distinction of being the only national flag carrier with 100% Pakistani fleet including both dry bulk and liquid bulk carriers.

- As of June'23, the company's fleet comprised ~13 ships (~8 tankers and ~5 dry bulk carriers) with total deadweight capacity of ~938,876 DWT. The fleet is fairly new with an average age of ~16 years.

Pakistan's Fleet and Capacity (June'23)

Sr.	Ship Types	Ship Name	Year of Manufacturing	Years of Purchase by PNSC	Age (Years)	Capacity (DWT)
1	Tankers	M.T Quetta	2003	2008	18	107,215
2		M.T Mardan	2007	2023	15	107,123
3		M.T Sargodha	2008	2023	14	107,123
5		M.T Lahore	2003	2010	18	107,018
6		M.T Shalamar	2006	2014	15	105,315
7		M.T Khairpur	2012	2019	9	74,986
8		M.T Bolan	2013	2019	8	74,919
Total Liquid Bulk						**683,699**
9	Bulk Carriers	**M.V Malakand**	2004	2010	17	76,830
10		**M.V Hyderabad**	2004	2011	17	52,951
11		**M.V Multan**	2002	2012	19	50,244
12		**M.V Chitral**	2003	2010	18	46,710
13		**M.V Sibi**	2009	2011	12	28,442
Total Dry Bulk						**255,177**
	Total					**938,876**

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Local | Seaborne Trade

- PNSC holds ~32.0% share in the country's Liquid Bulk (tankers) trade and only ~3.0% in the country's Dry Bulk (Bulk carriers) trade.
- In FY23, dry cargo trade increased to ~1.6mln MT from ~1.3mln MT, whereas trade of liquid cargo declined ~13.0% YoY to ~9.3mln MT during the year.
- The term Slot Charter is used when only part of the ship is chartered in order to transport dry cargo in TEU. Break bulk in slot charter increased ~166.6% YoY in FY23, while containerized cargo was down ~42.8% YoY.

Particulars	Dry Bulk			Liquid Bulk			Total		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Seaborne Trade | Country (mln MT)	78.0	70.7	54.1	32.3	36.1	28.8	110.3	106.8	83.0
Seaborne Trade | PNSC (mln MT)	1.5	1.3	1.5	9.6	10.7	9.2	11.1	12.0	11.0
PNSC (% Country's Seaborne Trade)	2%	2%	3%	30%	30%	32%	10%	11%	13.2

Particulars	Unit of Measurement	FY21	FY22	FY23
Dry Cargo (Bulk Carrier)	mln MT	1.5	1.3	1.6
Liquid Cargo (Tanker)	mln MT	9.5	10.7	9.3
Slot Charter				
Break Bulk***	Higher of MT or CBM** (W/M)	0.01	0.03	0.08
Containerized Cargo	000 TEUs*	1.7	2.1	1.2

**TEU: twenty feet container . **CBM: cubic meter. ***Break Bulk is cargo that is not containerized.*

Source: PNSC, UNCTAD

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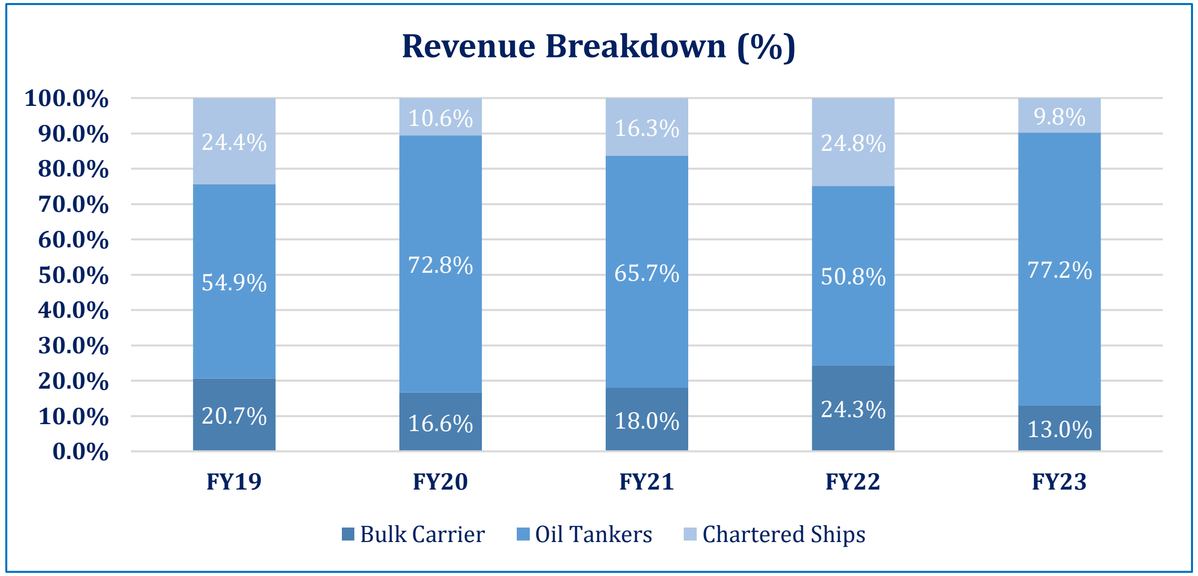
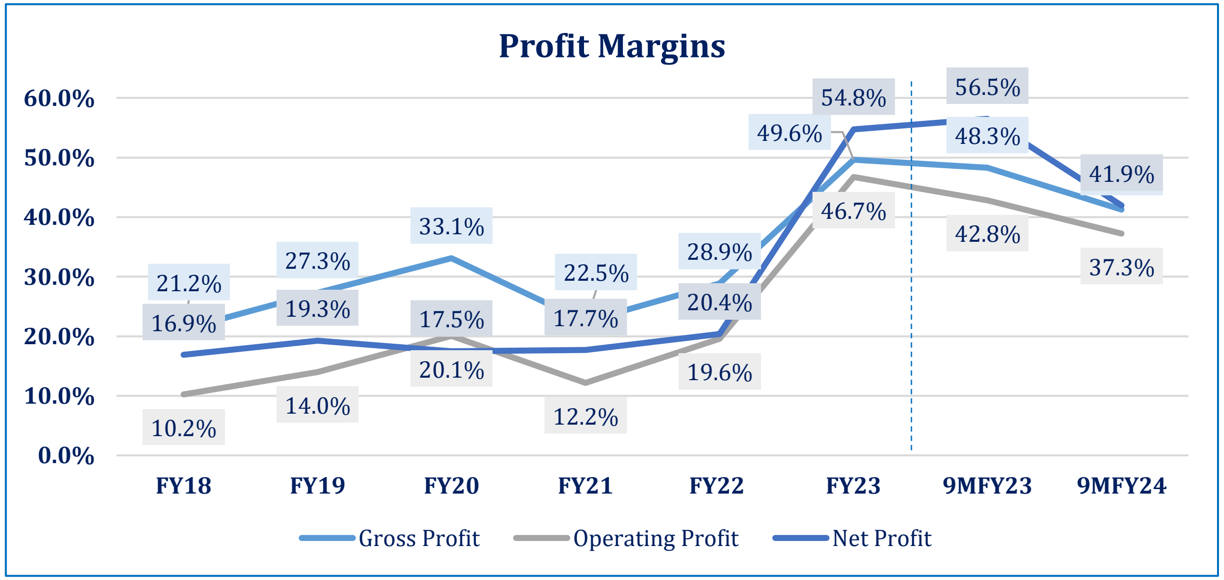
Local | Business Risk

- Sector's total revenue stood at PKR~47.2bln in FY23, up ~100.4% YoY (FY22: PKR~23.5bln). Revenue earned from oil tankers was PKR~33.1bln and constituted ~70.2% of the total shipping revenue (SPLY: ~45.7% of the total shipping revenue), whereas chartered ships and bulk carriers contributed ~9.0% (PKR~4.2bln) and ~11.8% (PKR~6.0bln), respectively (FY22: ~22.3% and ~21.9%, respectively). While dry and liquid bulk volumes handled rose ~19.6% and ~102.6% YoY, respectively, in FY23, the PKR depreciated ~39.1% YoY against the USD during the same period.

- Gross and operating margins, therefore, increased from ~28.9% and ~19.6% in FY22 to ~49.6% and ~46.7%, respectively, in FY23. Moreover, net margins also rose to ~54.8% in FY23, despite finance costs rising ~167.6% YoY, likely indicating the trickle-down impact of currency depreciation.

- During 9MFY24, however, gross and operating margins registered a decline (as depicted), owing to sector's revenue recording ~17.4% decline YoY, recording at PKR~35.0bln. This, in turn, likely reflects better PKR performance against the USD, vis-à-vis ~14.5% YoY appreciation. Similarly, net margin also declined to ~41.9% in 9MFY24, on the back of ~33.1% YoY higher finance costs.





Note: Calculation based on PNSC Financials. Latest data available is for FY23 for Revenue Breakdown

Source: PNSC

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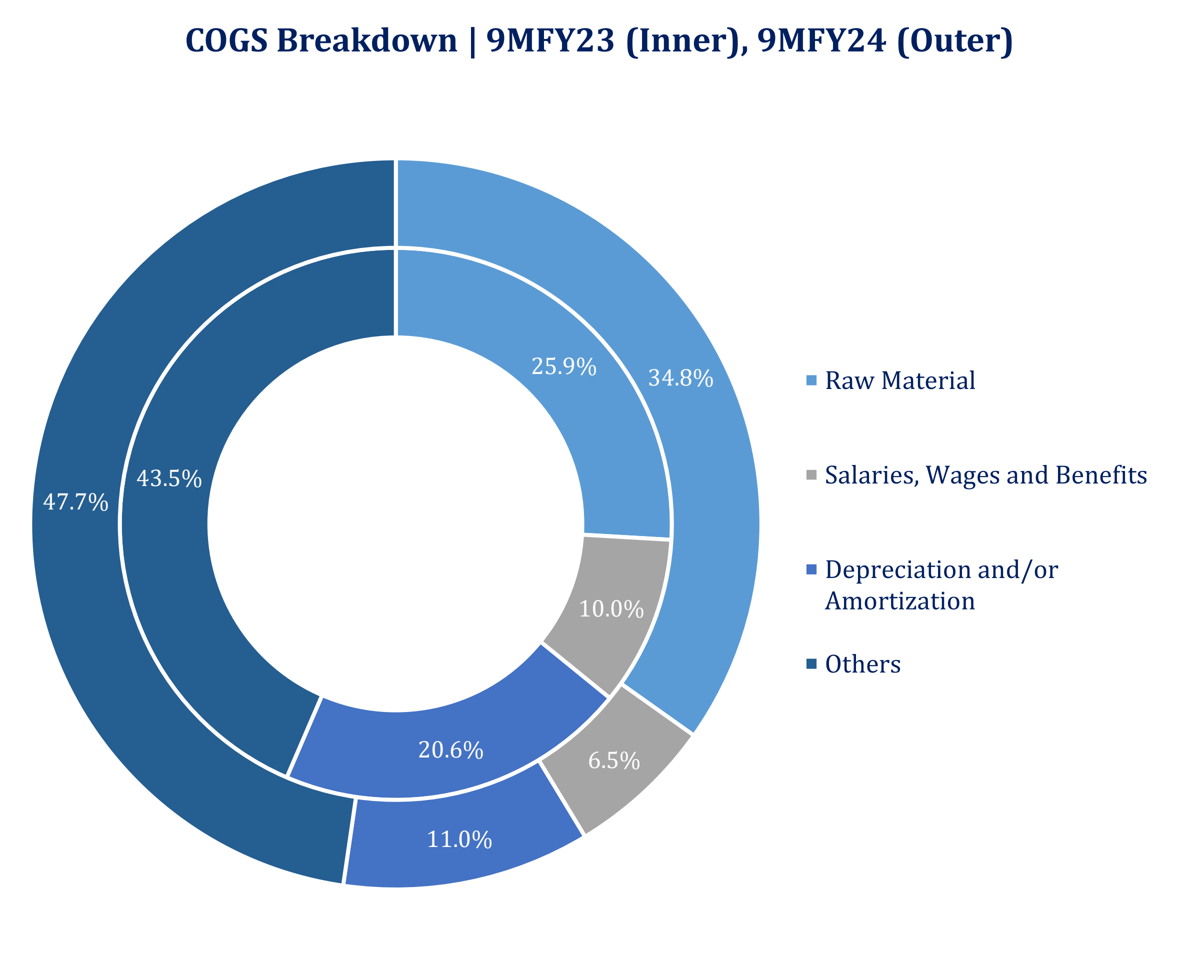
Local | Business Risk

- In FY23, sector's total costs stood at PKR~25,578mln, ~29.7% YoY increase. Raw material costs rose ~102.8% YoY in FY23 and comprised ~37.6% of the total costs incurred (SPLY: ~24.0%). However, "Other" costs, comprising energy costs and fleet maintenance expenses, formed ~51.4% of total costs during the year (SPLY: ~57.7%).
- In 9MFY24, the cost of goods sold stood at PKR~20,563mln (9MFY23: PKR~21,917mln). "Others" constituted ~47.7% of total costs during the period and recorded ~2.8% YoY increase.
- Meanwhile, raw material costs rose ~26.1% YoY to PKR~7,161mln in 9MFY24 and comprised ~34.8% of the total costs incurred (SPLY: ~25.9%).
- A decline of ~50.1% YoY was recorded in depreciation costs as well as in salaries & wages components of total cost during 9MFY24. During the period, these made up ~11.0% and ~6.5% of the total cost of goods sold, respectively.



Note: *Calculation based on PNSC Financials. Others include, but are not limited to, Charter Hire and related expenses, Demurrage expenses and Custom dues,.*

Source: PNSC

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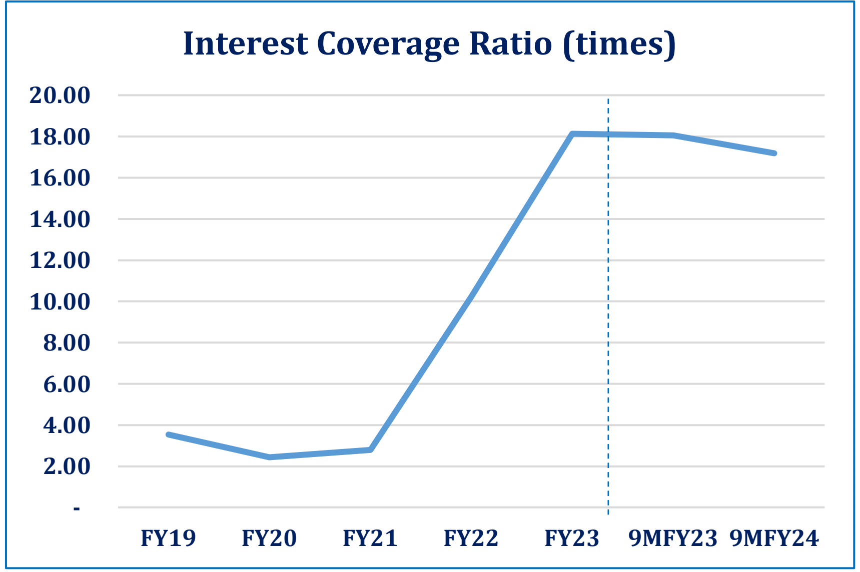
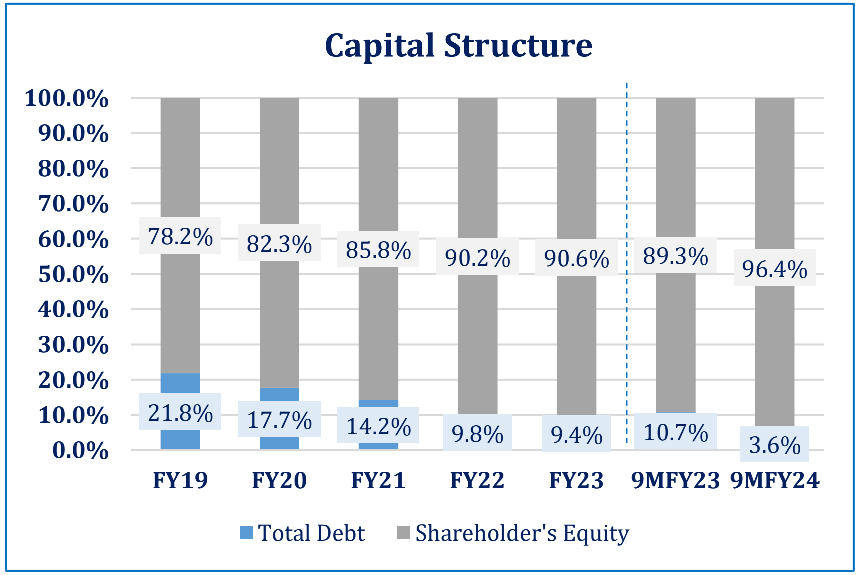
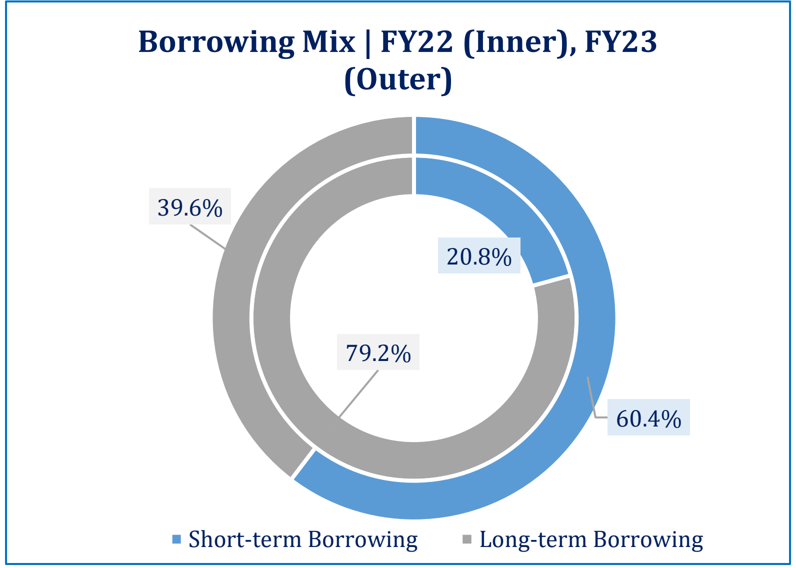
Local | Financial Risk

- Sector's total borrowings stood at PKR~7,342mln as of End-FY23, up ~59.3% YoY. A major portion (~60.4%) of the borrowings is reflective of short-term borrowings, which recorded ~363.1% YoY increase. In FY22, A major portion (~79.2%) of the borrowings is reflective of long-term (LT) borrowings. Meanwhile, LTBs registered ~20.3% YoY decline during the year. The increase in FY22 in LT-borrowings is due to the induction of two new tankers (M.T. Sargodha and M.T Mardan). The debt-to-leverage ratio, resultantly, was recorded at ~10.3% in FY23 (FY22: ~10.9%), depicting robust internal capital generation.
- During 9MFY24, sector's total borrowings stood at PKR~3,051mln, ~60.9% lower than those recorded in SPLY. Short-term borrowings made up ~28.5% of total borrowings while long-term borrowings contributed ~71.5%, during the said period (SPLY: ~23.7% and ~76.3%, respectively).
- Sector's interest coverage ratio stood at ~18x in FY23 (FY22: 10x) and ~17x in 9MFY24 (9MFY23: ~18x) depicting a considerably high capacity of meeting financial obligations compared to the same period last year (FY22: ~10x; FY21: ~2.8x).







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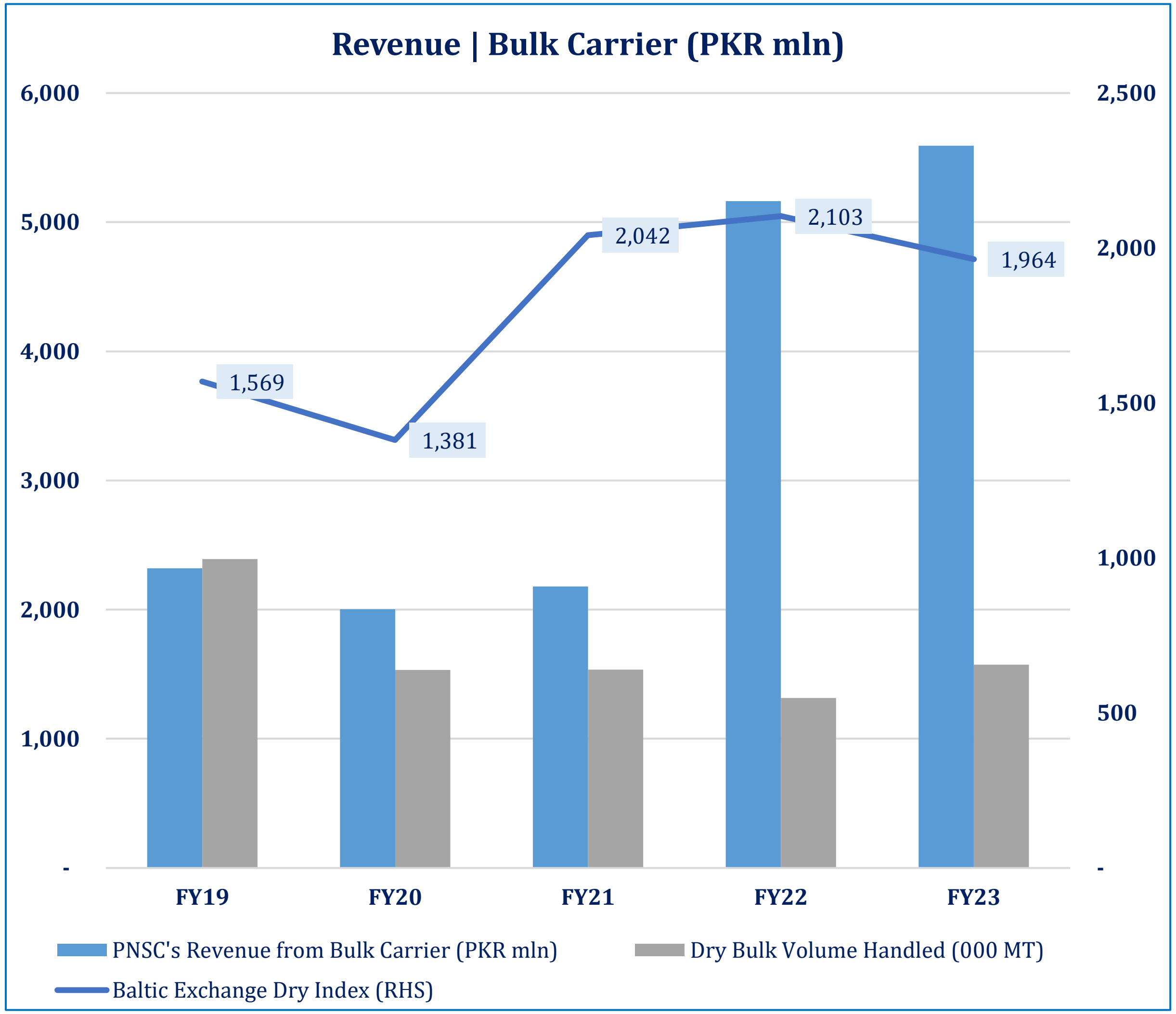
Business Risk | Baltic Exchange Dry Index

- The Baltic Dry Index (BDI) is a measurement to track international demand for dry raw materials and its cost to transport them by shipping vessel. The Index, issued by London-based Baltic Exchange, takes into account ~23 different shipping routes carrying coal, iron ore, grains and many other commodities across the globe.

- In FY23, the Index declined to ~1,964 points (FY22: ~2,103 points) indicating a decline in trading activities owing mainly to trade sanctions on Russia, coupled with the overall economic slowdown in China & USA.

- Despite the index recording ~6.6% YoY decline in FY23, segment's revenue registered ~8.3% YoY increase, recording at PKR~5,592mln, owing mainly to ~19.6% YoY increase in dry bulk volumes handled, as well as ~39.1% YoY currency depreciation against the USD (FY23: USD~247.5/PKR; FY22: USD~177.9/PKR).



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Business Risk | Average Freight Rate Assessment (AFRA)

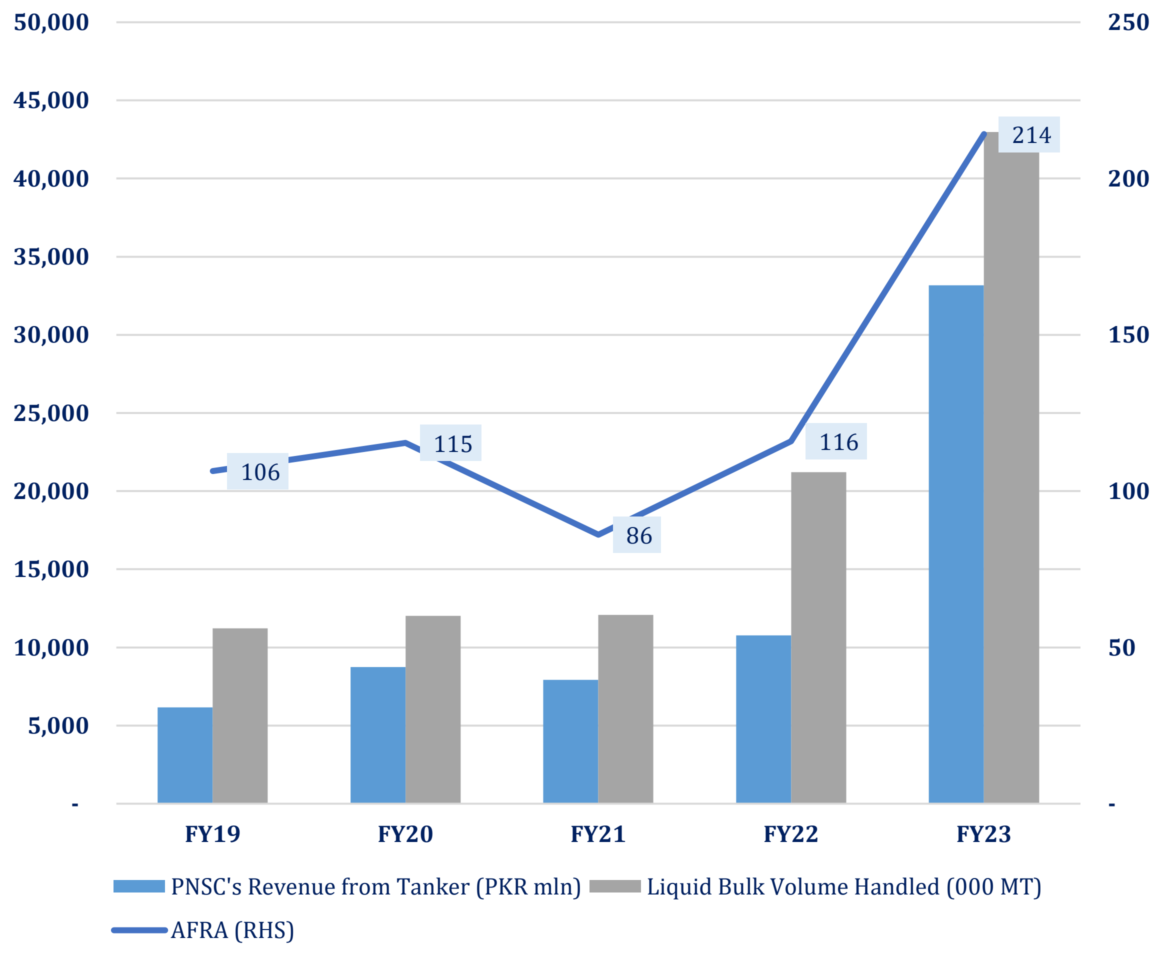
- The global crude oil and refined product tanker fleet employs a classification system known as Average Freight Rate Assessment (AFRA) to standardize contract terms, establish shipping costs and determine the ability of ships to travel into ports or through certain straits and channels.

- AFRA was established by the Royal Dutch Shell and is overseen by the London Tanker Brokers' Panel (LTBP). AFRA uses a scale that classifies tanker vessels according to DWT MT.

- Sector's revenue from oil tanker segment is therefore pegged to global AFRA rates. In FY23, the AFRA rate increased by ~84.7% YoY (from an average of ~116 points in FY22 to an average of ~214 points in FY23).

- This, combined with ~102.6% YoY increase in liquid bulk handled (~42,976mln MT in FY23), resulted in local oil tanker segment's revenue generation recording ~207.7% YoY increase during the year. Revenue from liquid bulk recorded at PKR~33,175mln in FY23.

Revenue | Oil Tankers (PKR mln)



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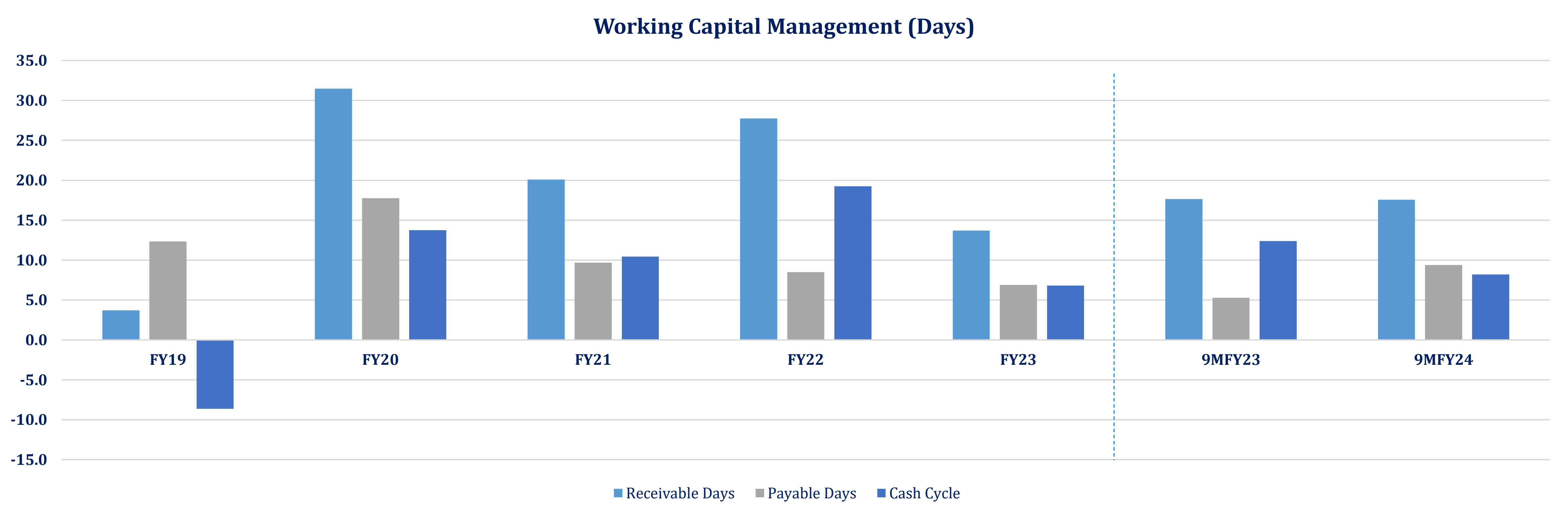
Financial Risk | Working Capital Management

- The cash conversion cycle of the sector improved in FY23 in contrast to FY22 by ~12 days. Sector's receivable days were down ~14 days YoY while payable days registered ~1 day YoY decline.

- In 9MFY24, sector's cash cycle reduced to ~8 days, ~4 days lower than those recorded in SPLY. While receivable days remained the same as SPLY at ~18 days in 9MFY24, payable days rose to ~9 days.



Source:: PNSC

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SWOT Analysis

Strengths

- An International sector in true essence, wherein compliance and safety requirements are devised, managed and monitored on a global scale.
- Significantly important sector of the economy in terms of catering over ~95% of the country's external trade movement.
- Regulated & sovereign control.
- Capital intensive thus high barrier to entry.

Weaknesses

- Significant dependence on specific trade routes.
- Inability to set pricing, dependence on international index.
- High reliance on global trade dynamics.
- High operational costs.
- Highly sensitive to global economic conditions, affecting demand and pricing..

Threats

- Litigation risks.
- Major accidents or oil spillage.
- Fluctuation in interest/ exchange rates.
- Volatility in fuel cost.
- Adverse changes in global laws e.g., taxation policies.
- Trade wars, sanctions, and regional conflicts.

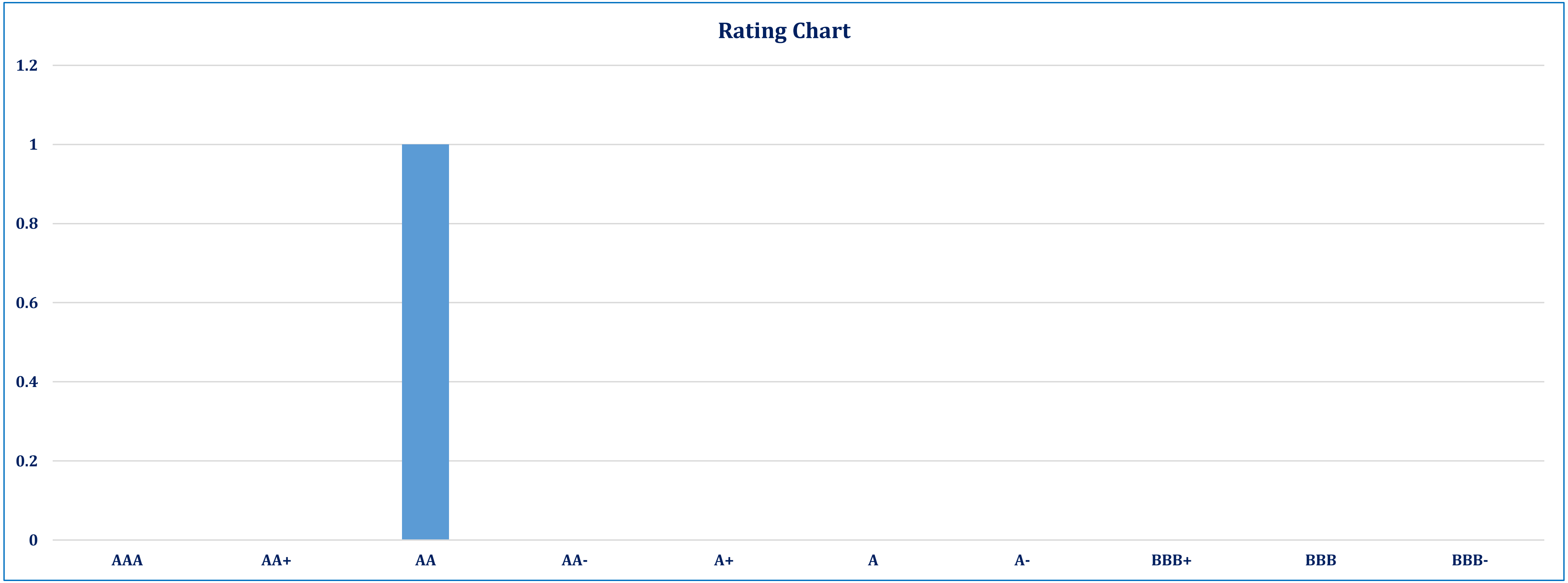
Opportunities

- Unique coastal geographical position of the country holds the potential to grow tremendously on global shipping services.
- Strategic alliances and joint ventures
- Web-Enabled logistic operations.
- Bilateral agreements for development and growth.
- Decarbonization fuel regulations.

Shipping

Rating Curve

PACRA rates one client in the shipping sector, with long-term rating of 'AA'.



Source: PACRA Database

Shipping

Outlook: Stable

- In FY23, Pakistan's GDP (nominal) stood at PKR~79.7trn (FY22: PKR~63.3trn), contracting, in real terms, by ~0.17% YoY (FY22: ~6.3% growth). However, the provisional data released by National Accounts reveals that Pakistan's GDP during FY24 is expected to clock in at PKR~106.4trn in nominal terms with real GDP growth rate of ~2.4%, depicting an improved economic activity during FY24 compared with SPLY. The SBP estimates GDP growth at ~2-3% for FY24, while IMF's forecast for the same stands at ~2.0%.
- Seaborne trade is crucial for Pakistan's economy, given its strategic coastal location. In FY23, seaborne trade decreased by ~22.3% to ~82.9mln MT from ~106.8mln MT in FY22. The Pakistan National Shipping Corporation (PNSC), handled ~13.0% (~10.8mln MT) of the total seaborne trade in FY23, up from ~11.2% (~11.9mln MT) in FY22, a total capacity of ~938,876 DWT. In FY23, dry cargo trade increased to ~1.6mln MT from ~1.3mln MT, whereas trade of liquid cargo declined ~13.0% YoY to ~9.3mln MT during the year.
- Despite the volumetric decline, sector's gross revenue increased by ~97.6% YoY in FY23 on back higher AFRA rates and 39.1% YoY currency depreciation. Sector revenue from the oil tanker segment is linked to AFRA rates. In FY23, AFRA rates rose by ~84.7% (from an average of ~116 points in FY22 to ~214 points in FY23), driving an increase in revenue.
- In FY23, the sector's revenue increased ~100.4% YoY to PKR~47.2bln. Oil tankers contributed ~70.2% during the year (SPLY: ~45.7%), while chartered ships and bulk carriers' shares declined. Dry and liquid bulk volumes rose ~19.6% and ~102.6% YoY, respectively, amid a ~39.1% PKR depreciation against the USD. Gross and operating margins increased to ~49.6% and ~46.7%, respectively, from ~28.9% and ~19.6% in FY22. Net margins also grew to ~54.8%, despite a ~167.6% rise in finance costs. In FY23, the sector's total borrowings rose by 59.3% YoY to PKR 7,342 million. Short-term borrowings, making up 60.4%, surged 363.1% YoY, while long-term borrowings fell by 20.3% YoY.
- Additionally, the performance of seaborne trade and its volume is also directly dependent on the economic activity within the country. Where Pakistan's GDP declined in real terms, by ~0.17% YoY (FY22: ~6.3% growth). Still, the sector's performance remained resilient, reflected in increased gross margins and improved interest coverage ratio in FY23.
- The Baltic Exchange Dry Index, which tracks international demand and transportation costs for dry bulk, directly impacts sector revenues and reflects economic activity. Despite only a ~3% increase in the index, revenues from dry bulk rose by ~8.3% to PKR~5,592mln in FY23, up from PKR~5,164mln in FY22. The volume handled increased by ~19.7% in FY23, likely boosted by PKR depreciation.
- The shipping sector's outlook is stable, with reduced fears of state default. The government's lifting of import restrictions is anticipated to boost economic activity, benefiting various industries, including shipping.

Shipping

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