

SHIPPING

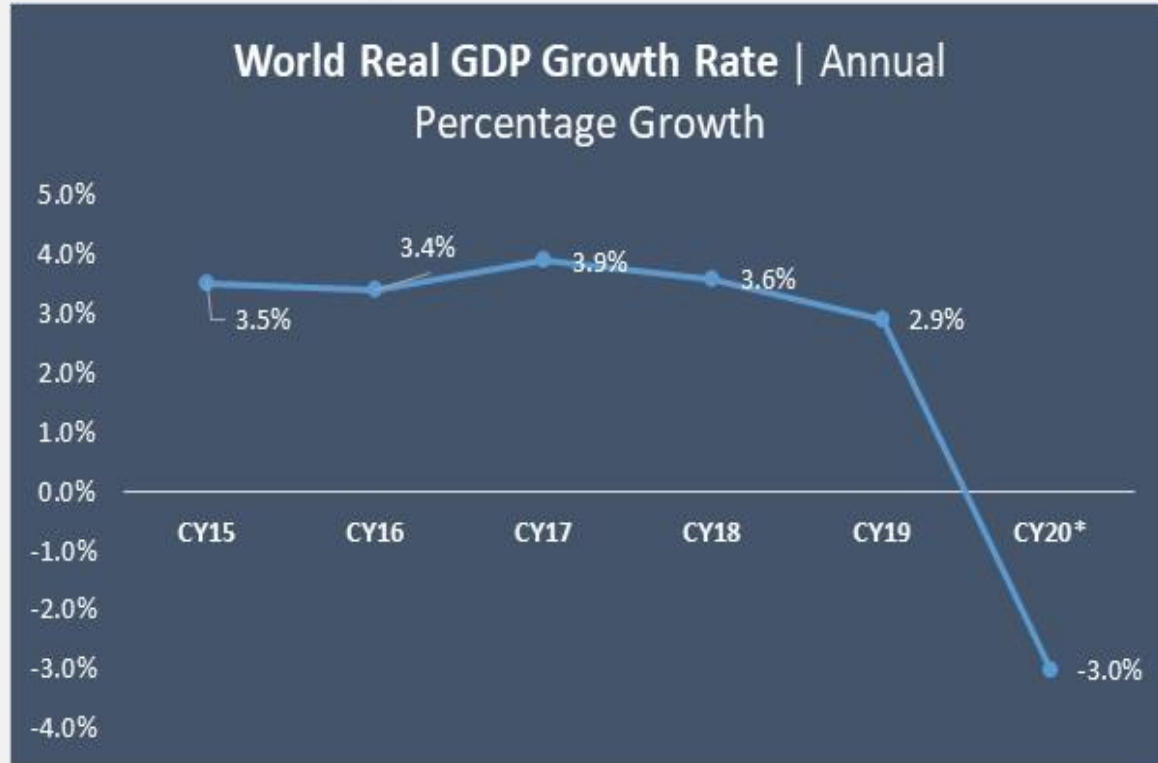
SECTOR OVERVIEW

June-20



WORLD GDP & TRADE | An Overview

Merchandise trade has a strong correlation with GDP.



An overview of the World real GDP growth output displayed that Advanced Economies, including USA, Europe, Canada and Japan (and others), recorded a growth of ~1.7% in real GDP in 2019, while the emerging economies (India, China, Russia, Brazil, etc.), posted a GDP growth of ~3.7%. On an average basis, global real GDP growth rate witnessed a slowdown to 2.9% in CY19 on the backdrop of escalating trade tensions between the U.S and China.

As a consequence of COVID-19 pandemic outbreak in 1QCY20, the global economy is projected to contract sharply by -3 percent in 2020, much worse than during the 2008-09 financial crisis. Growth in Advanced Economies is projected to slump by -6.1%, while emerging economies are expected to witness a 1% decline.

However, there is still extreme uncertainty around the global regarding growth forecast as many countries are facing a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices.

SHIPPING INDUSTRY | STATISTICS

Maritime transport remains the backbone of globalized trade and the manufacturing supply chain, as more than four fifths of world merchandise trade by volume is carried by sea.

Fleet Number:
92,295 Ships

Capacity:
1.98bln DWTs
(+2.6% YoY)

Highest Global Deliveries:
Country Wise:
China, Korea, Japan

Average Age:
Of the World Merchant Fleet is
21 years.

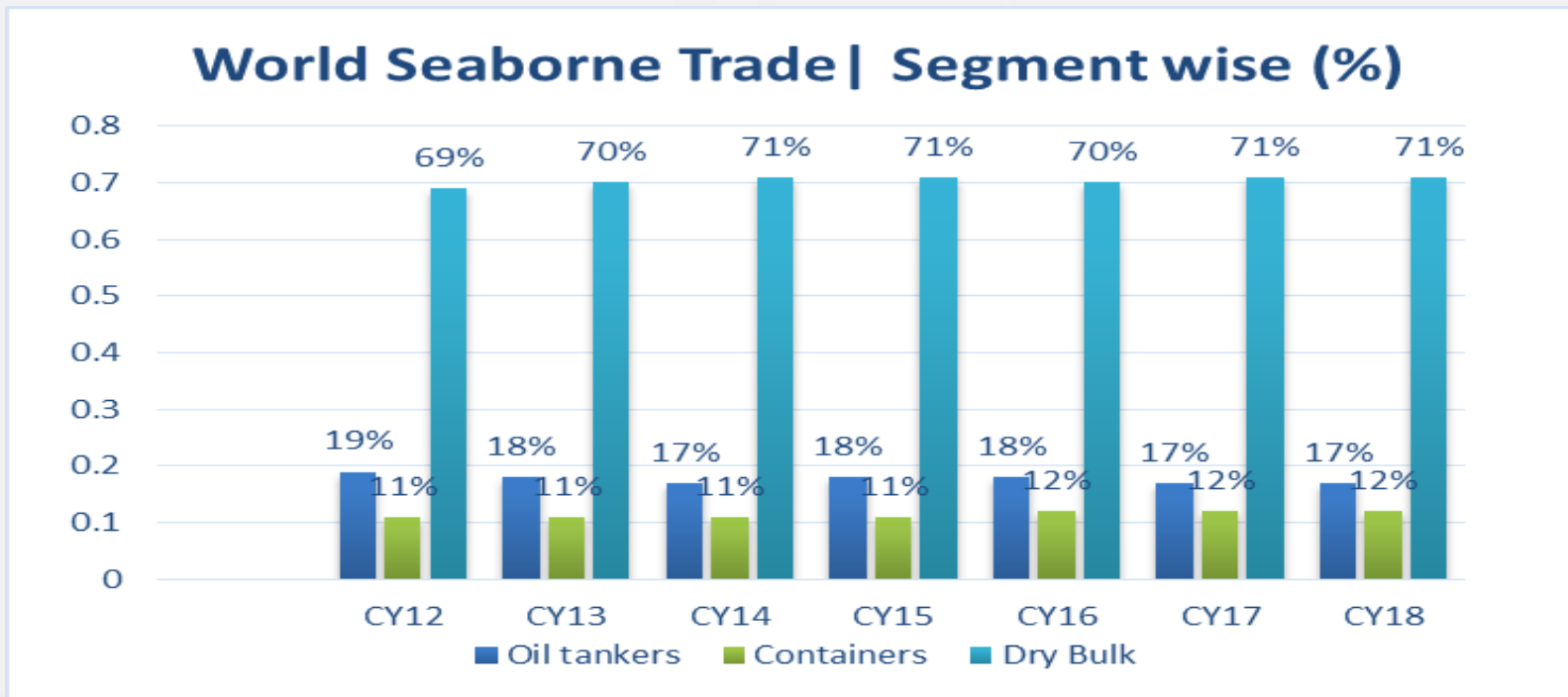
Main Demolition Country:
Bangladesh



GLOBAL TRADE VOLUMES

| Catogry(mln tons) | CY12 | CY13 | CY14 | CY15 | CY16 | CY17 | CY18 |
|-------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Oil tankers | 1,785 | 1,738 | 1,707 | 1,761 | 1,832 | 1,875 | 1,886 |
| Containers | 1,055 | 1,091 | 1,118 | 1,171 | 1,226 | 1,272 | 1,308 |
| Dry Bulk | 6,355 | 6,685 | 7,018 | 7,091 | 7,237 | 7,570 | 7,811 |
| Total | 9,195 | 9,514 | 9,843 | 10,023 | 10,295 | 10,717 | 11,005 |

- World seaborne trade is directly correlated to the trends of global merchandise trade and GDP growth.
- Historically, dry bulk trade has constituted the highest share in world seaborne trade.
- CY16, CY17 were promising in relation to the world seaborne trade. However, with rising trade tensions between the two major economies of world i.e., US and China, growth slowed down during CY18.



GLOBAL FLEET



- Total World fleet capacity stood at ~1.97bln Dead Weight Tons (DWT) in 2019 registering a growth of ~2.6% YoY basis.
- Almost ~71% of the world seaborne trade comprises dry bulk trade, world fleet capacity for dry bulk vessels is the highest (~41%), followed by oil tankers (~30%).

FLEET OWNERSHIP AND REGISTRATION | COUNTRY WISE

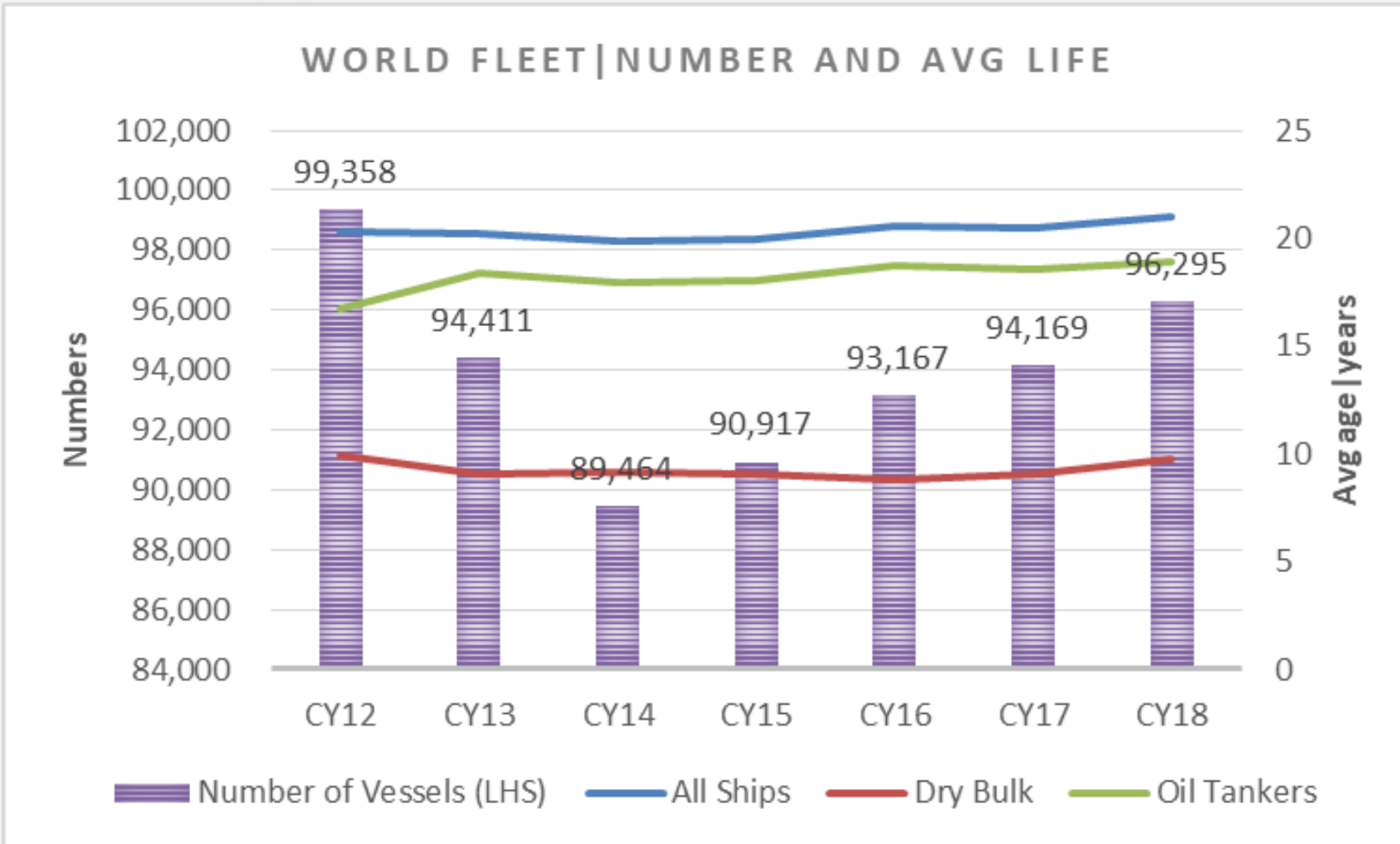
- As of Jan 1, 2019, top five ship owning economies were Greece, Japan, China, Hong Kong and Singapore accounting for more than 50% of the world's tonnage.
- More than 70% of the world fleet (tonnage) is registered under a foreign flag. However, in countries like Iran, Indonesia, Thailand, Vietnam and India, the number of vessels operating under National flag represents more than half of their fleet.
- In terms of commercial value of fleet (2019), the top five ship owning countries represented 45% of the world fleet. These were Greece, Japan, USA, China and Norway.
- Total Value of World Shipping Fleet was recorded at USD~911bln (2019) while total number of vessels were recorded at 96,295.

| Leading (10) Flags of Registration by Dead Weight Tonnage (DWT) | | |
|---|---------------------------------|--|
| Flag of registration | Vessel share of world total (%) | Share of world total dead-weight tonnage (%) |
| Panama | 8% | 17% |
| Marshall Island | 4% | 12% |
| Liberia | 4% | 12% |
| Hong Kong, China | 3% | 10% |
| Singapore | 4% | 7% |
| Malta | 2% | 6% |
| China | 6% | 5% |
| Bahamas | 1% | 4% |
| Greece | 1% | 3% |
| Japan | 5% | 2% |

| Leading Ship Owning Countries | |
|-------------------------------|--------------------------------|
| Country* | Share in World Fleet Value (%) |
| Greece | 10% |
| Japan | 10% |
| USA | 10% |
| China | 9% |
| Norway | 6% |
| Singapore | 5% |
| Germany | 5% |

**Top 7 countries contribute ~54% to World Fleet Value (in USD)*

FLEET NUMBER AND AVERAGE LIFE



Total world fleet increased by ~2.6% YoY in CY18 recording a number of 96,295 vessels as of 1-Jan-19.

The average age of the fleet registered in developing countries is slightly higher than that registered in developed countries attributed to the following reasons
 (i) less new deliveries to the fleet
 (ii) low fleet modernization and
 (iii) economic conditions.

FREIGHT MARKET | BDI

Baltic Dry Index: The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index, tracks rates for capesize, panamax and supramax vessels that ferry dry bulk commodities. The Baltic Dry Index is not restricted to Baltic Sea countries or to a few commodities like crude oil. Instead, the Baltic Dry Index takes into account 23 different shipping routes carrying coal, iron ore, grains and many other commodities.

Index – 10 Year Performance

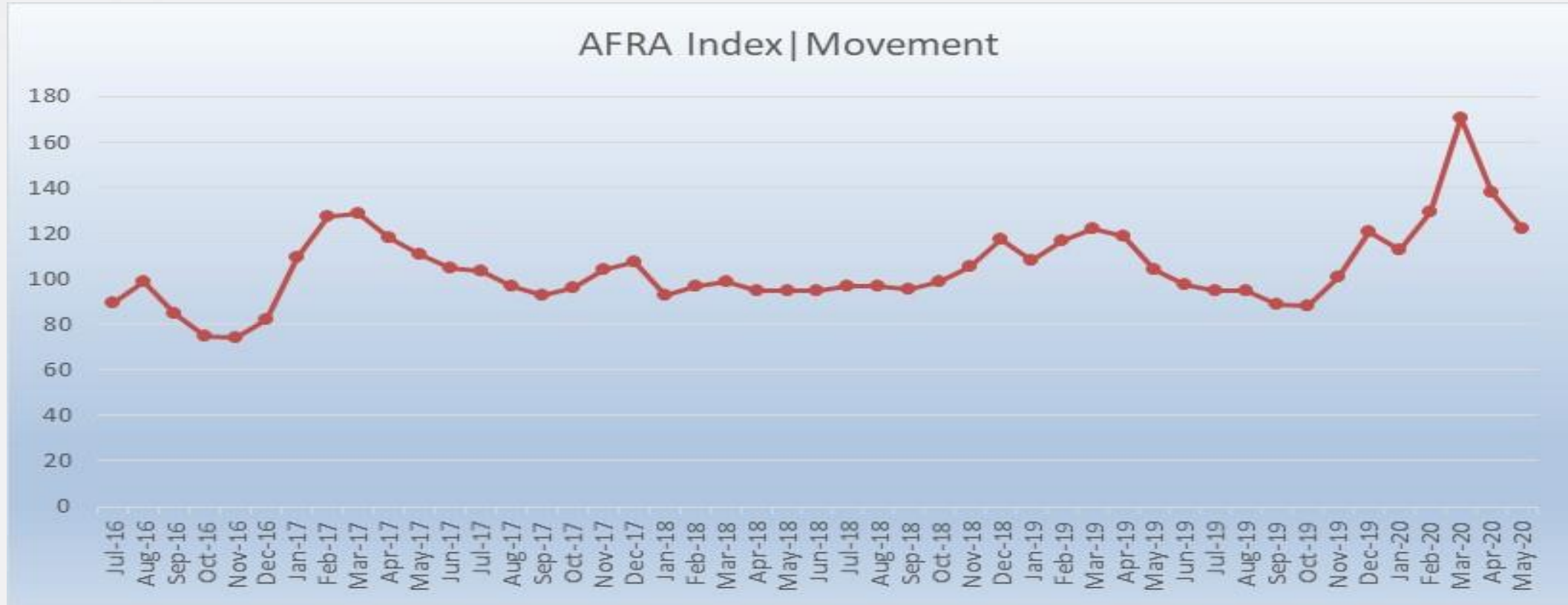


Index – One Year Closer Look



- Historically, the BDI Index has remained volatile as it reflects on a number of shipping routes carrying different raw materials.
- The Index took a steep slide in Dec'19 when the Covid-19 pandemic initially penetrated in China, a significant contributor to global shipping trade.
- In mid Feb'20, the index witnessed a 16 year historical drop owing to a radical drop in demand for goods from China.
- The crisis escalated to unprecedented levels in March and onwards. Though trade in other parts of the world was notably disrupted, the Chinese restrictions on trade business gradually lifted up as the pandemic crisis eased there. Nonetheless, 1HCY20 has been a period of severe pressure on freight market.

FREIGHT MARKET | AFRA



- While the Baltic Dry Index dampened notably on the outbreak of COVID-19 pandemic, AFRA reflected the contrary. Tanker market has been the least impacted segment in the shipping industry as negative pressure from reduced demand for oil and oil products was unexpectedly mitigated by the sharp drop in oil prices. Still, the longer-term picture remains uncertain for the tanker segment and will roll out over the course of time.

PAKISTAN INDUSTRY | SNAPSHOT

- Maritime trade plays a pivotal role in Pakistan’s economy as almost ~95% of the country’s International trade is transported through seas.

| Liquid | Pakistan Seaborne Trade Mln Tons | | |
|--------------|--------------------------------------|-----------|-----------|
| | FY17 | FY18 | FY19 |
| PNSC | 13 | 11 | 8 |
| Others | 20 | 23 | 22 |
| Total | 33 | 34 | 30 |

| Dry | Pakistan Seaborne Trade Mln Tons | | |
|--------------|--------------------------------------|-----------|-----------|
| | FY17 | FY18 | FY19 |
| PNSC | 2 | 2 | 2 |
| Others | 64 | 64 | 78 |
| Total | 66 | 66 | 80 |

| | | | |
|--------------------|-----------|------------|------------|
| GRAND TOTAL | 99 | 100 | 111 |
|--------------------|-----------|------------|------------|

- Pakistan’s seaborne trade grew by ~11% YoY basis in FY19 with a ~22% growth in dry segment and ~10% decline in liquid trade.
- Pakistan National Shipping Corporation (PNSC) is the only shipping company operating with flag as a national flag carrier. The company maintains a fleet of 11 vessels (6 oil tankers and 5 dry bulk carriers).

SHIPPING INDUSTRY OUTLOOK

Tanker Market:

- Following increased magnitude of the COVID-19 crisis, demand for oil and oil products reduced drastically across the globe. However, this risk was largely mitigated by the sharp drop in oil prices and demand picked up on account of declined oil prices and availability of 'floating oil storage' facilities with various entities .
- As lockdown has eased up in the domestic market signaling positive for demand, this segment is expected not to counter any major shocks in the short horizon. Uncertainty, however, still prevails in the short horizon.

General

- Recently State Bank of Pakistan in its monetary policy has reduced discount rate by 4.25% an annual rate from 13.25% to 9%.
- Newly Approved Maritime Policy is expected to impact **positively** on PNSC as incentives have been provided to shipping companies therein.

Container and Dry Bulk Shipping Segment:

- The COVID-19 outbreak has hurt economic growth of many countries through first half of 2020, including Pakistan.
- There has been a significant slowdown in Chinese manufacturing of containerized goods. However, the positive side is the recent drop in oil prices which helped in offset of fuel costs, especially in light of the IMO 2020 low sulphur fuel regulations that came into effect in January 2020.
- Despite demand picking up in China, the commercial activity in Europe and North America has drastically reduced. Since China is the largest importer of dry bulk commodities, BDI witnessed the steepest decline when China was majorly affected. The situation, though, has improved in China, other large importers of dry bulk commodities continue to absorb the loss, which is expected to keep the index under pressure. Uncertainty is, however, looming on the horizon.
- Domestically, dry bulk revenues are also expected to be impacted in the foreseeable future as BDI is witnessing pressure.

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