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# SHIPPING SECTOR OVERVIEW



*February 2016*

# INDUSTRY SNAPSHOT

## GLOBAL

- Merchandise trade has a high correlation with GDP.
- Seaborne trade | ~90% of world trade is carried by the international shipping industry.
- In recent years, new ships joining the world fleet are fuel efficient and larger in size.
- Lately, world GDP growth has tapper down owing to slow down in world largest economies mainly China and Europe. Hence, global shipping companies' freights have come under pressure. However, the negative impact of lower freights has been absorbed by notable decline in crude oil prices.
- Re-balancing of China's economy may significantly reshape the maritime transport landscape and alter shipping and seaborne trade pattern, going forward.

## PAKISTAN

- Pakistan's merchandise trade has shown a rising trend; however, lately due to dip in exports and value of oil imports, the overall trade has remained intact.
- Pakistan's seaborne trade is on a growth trajectory (volume transported: FY15: 74mln tons, FY14: 68mln tons).
- Pakistan National Shipping Corporation (PNSC) is the only shipping company operating with as a national flag carrier.
- Maintaining a fleet of 9 vessels (4 oil tankers and 5 dry bulk carriers), PNSC predominantly handles Pakistan's crude oil imports (~90%).
- Pakistan's shipping industry has a free market with respect to freight; hence, PNSC operates on a competitive basis.
- Lately, PNSC's business margins have come under-pressure for which alternative business strategies including diversifying product slate and geographical diversification is in pipeline.

# Shipping Industry | DWT Capacity

1

## Oil Tankers



Very Large Crude Carrier	200,000 dwt plus
Suezmax Crude Tanker	120,000 - 200,000 dwt
Aframax Crude Tanker	80,000 - 119,999 dwt
Panamax Crude Tanker	60,000 - 79,999 dwt

## Dry Bulk



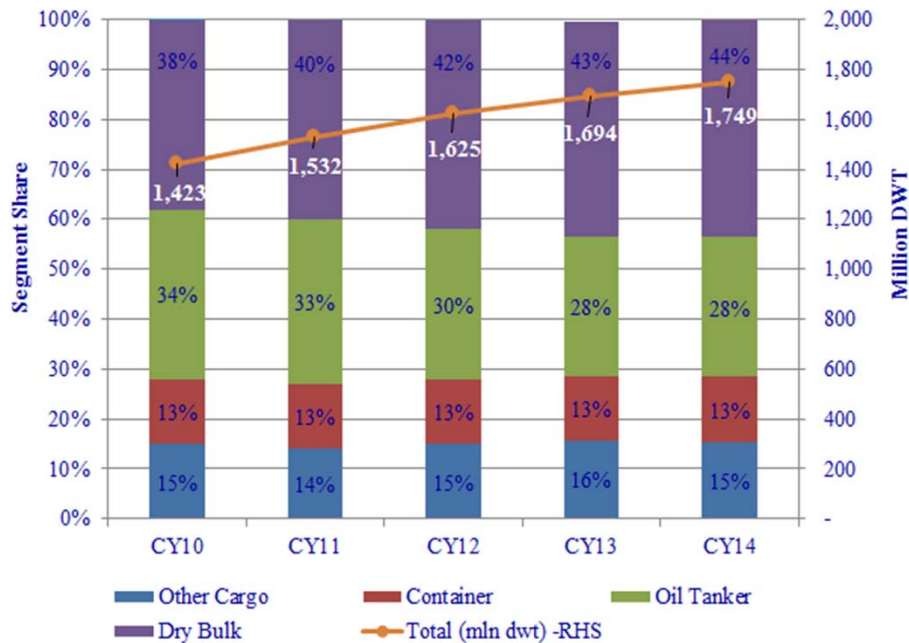
Capesize Bulk Carrier	100,000 dwt plus
Panamax Bulk Carrier	60,000 - 99,999 dwt
Handymax Bulk Carrier	40,000 - 59,999 dwt
Handysize Bulk Carrier	10,000 - 39,999 dwt

## Container

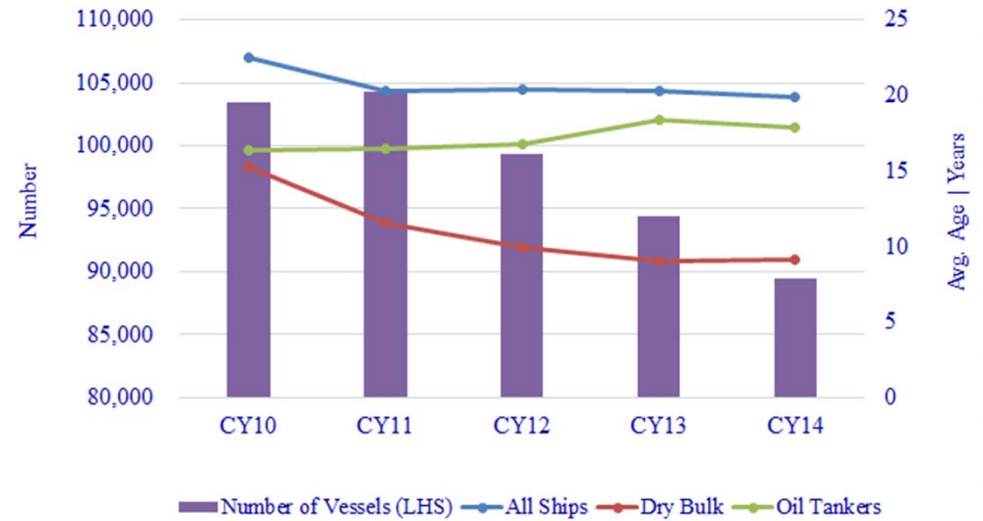


Post-Panamax Container Ship	beam of > 32.3 mtrs
Panamax Container Ship	beam of < 32.3 mtrs

World Fleet | Capacity | Segment Share



World Fleet | Size and Avg. Life



2

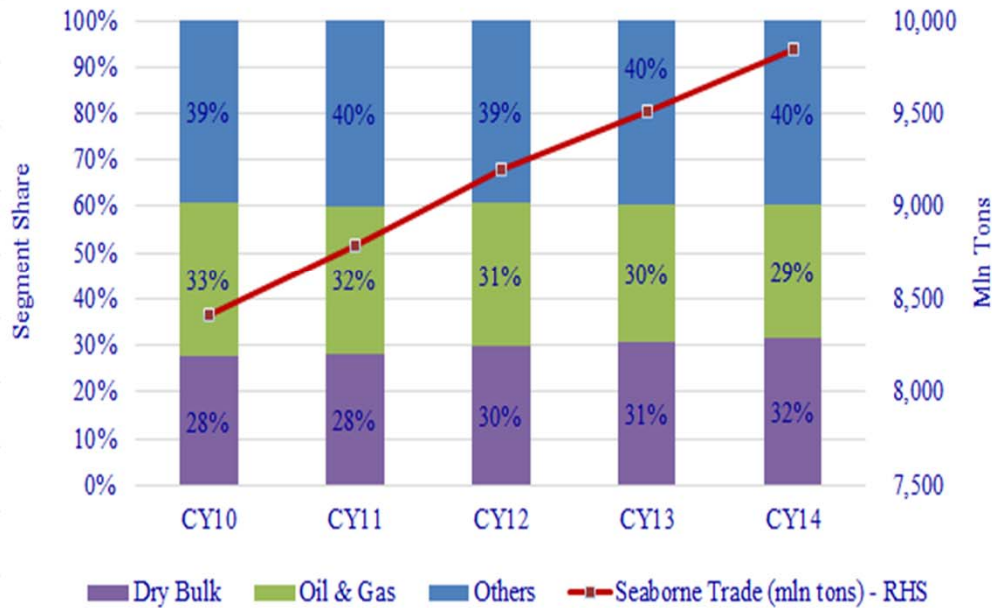
## World PNSC

	2010	2014
# of Vessels	103,392	89,464
Avg. Vessel Life	23yrs.	20yrs.
# of Vessels	9	9
Avg. Vessel Life	15yrs.	11yrs.

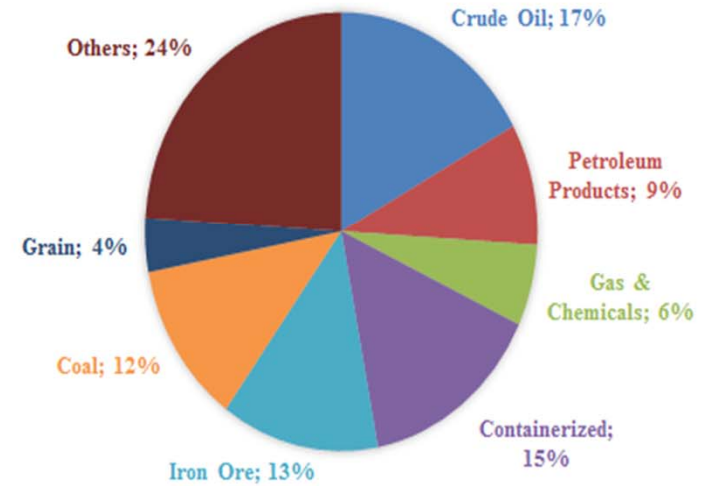


# Shipping | Capacity | Growth Trends

World | Seaborne Trade Volume | Segment Share



World | Seaborne Trade - 2014 | Types of Goods



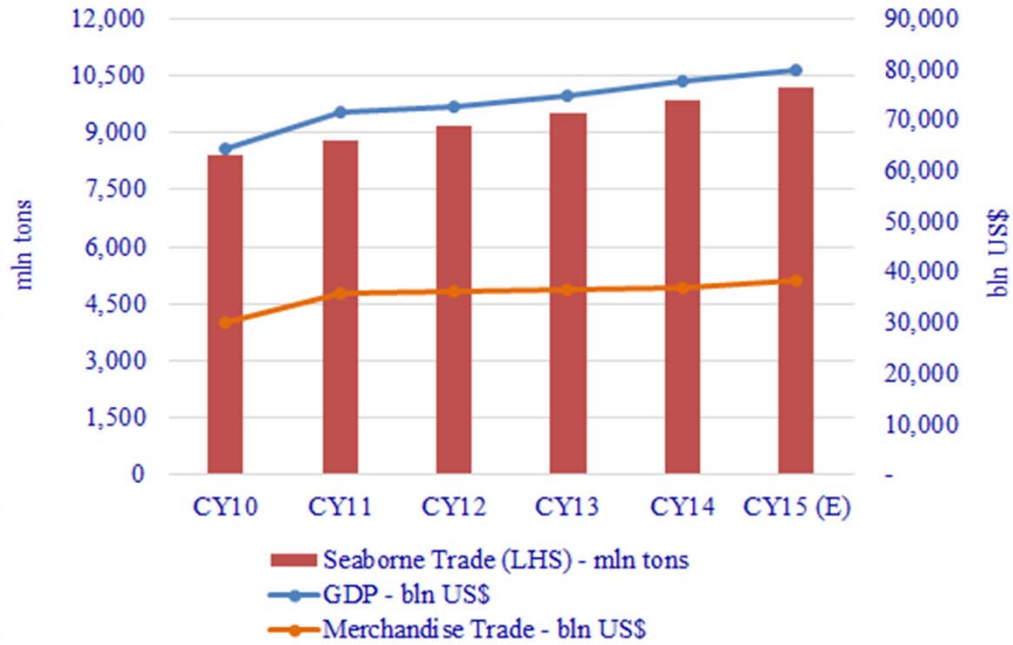
Sr. #	Liner Shipping Companies	Country	Market Share*	Vessels
1	Maersk Line A/S	Denmark	13.5%	478
2	Mediterranean Shipping Company	South Africa	13.2%	451
3	CMA CGM	South Africa	8.0%	375
4	Evergreen Marine Corporation Limited	Taiwan	5.1%	204
5	Coso Container Lines Limited	USA	4.6%	158
6	China Shipping Containers Lines Company Limited	China	4.0%	136
7	Hapag-Lloyd Aktiengesellschaft	Germany	3.9%	145
8	Hanjin Shipping Company Limited	Korea	3.4%	104
9	Mitsui O.S.K Lines Limited	Japan	3.2%	111
10	American President Lines Limited	USA	2.9%	96
<b>Total</b>			<b>61.7%</b>	<b>2,258</b>

\*Market share based on TEU: Twenty Feet Equivalent Units | 1 TEU = 12-14 DWT

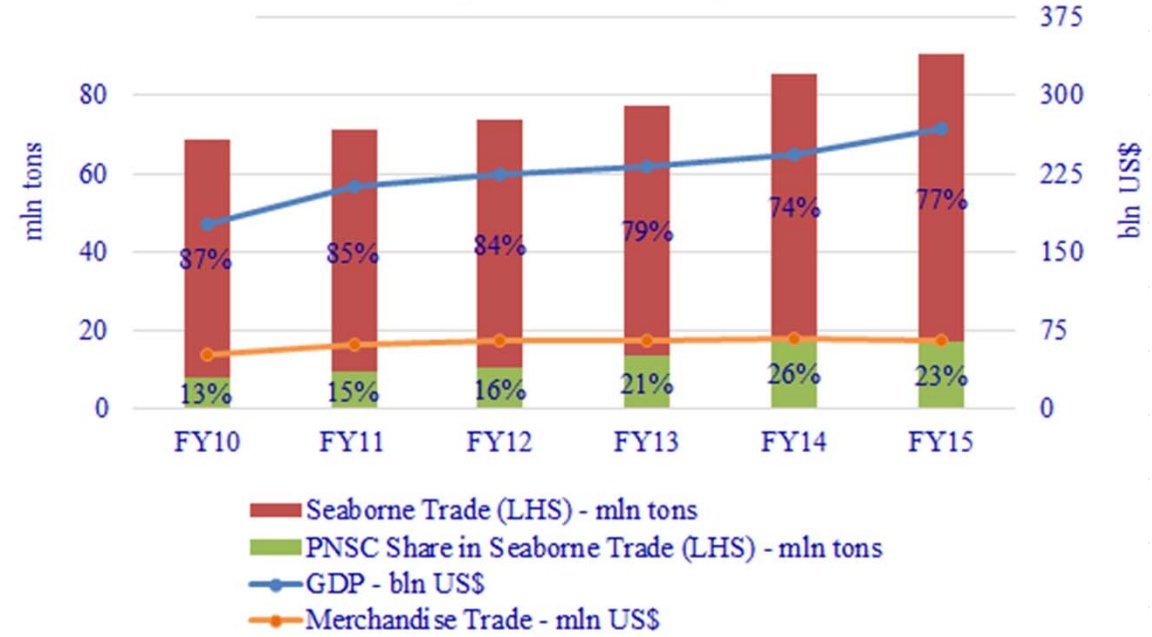


# Shipping | Trade Trends

Global | GDP Vs. Trade | Trend <sup>3</sup>



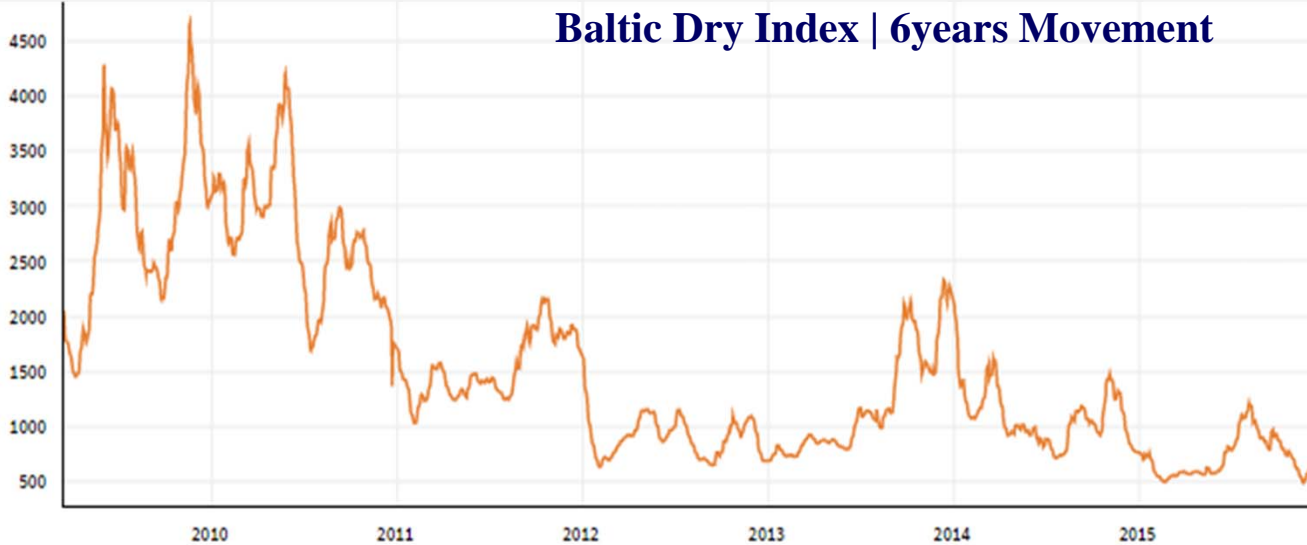
Pakistan | GDP Vs. Trade | Trend <sup>4,5</sup>



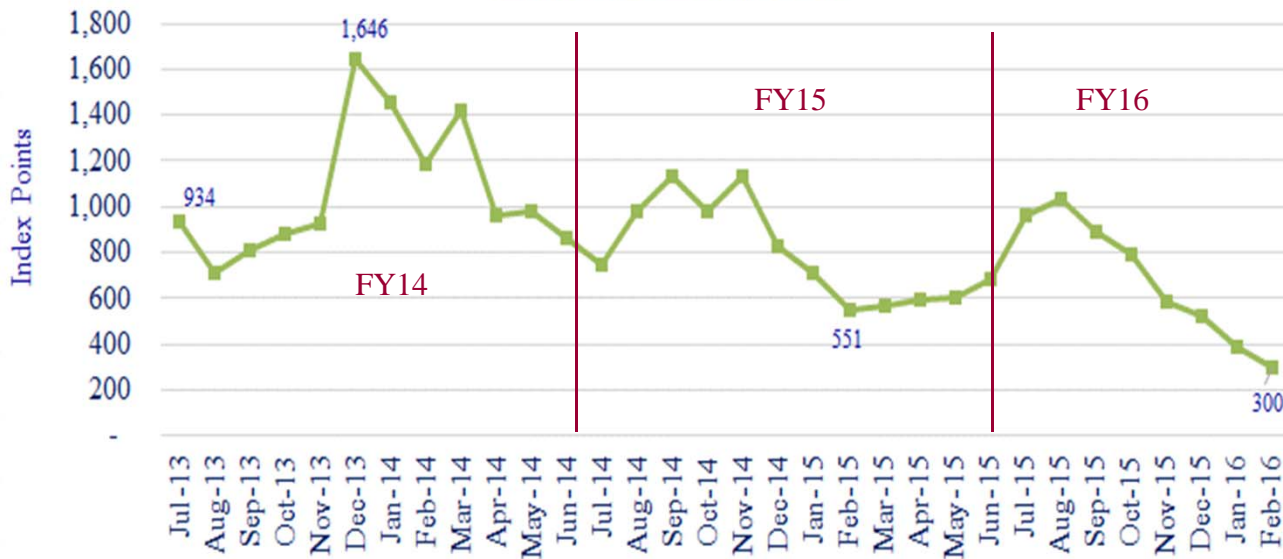


# Shipping Industry | Freight Rates | Dry Bulk<sup>6</sup>

### Baltic Dry Index | 6years Movement



### Baltic Dry Index | Trend

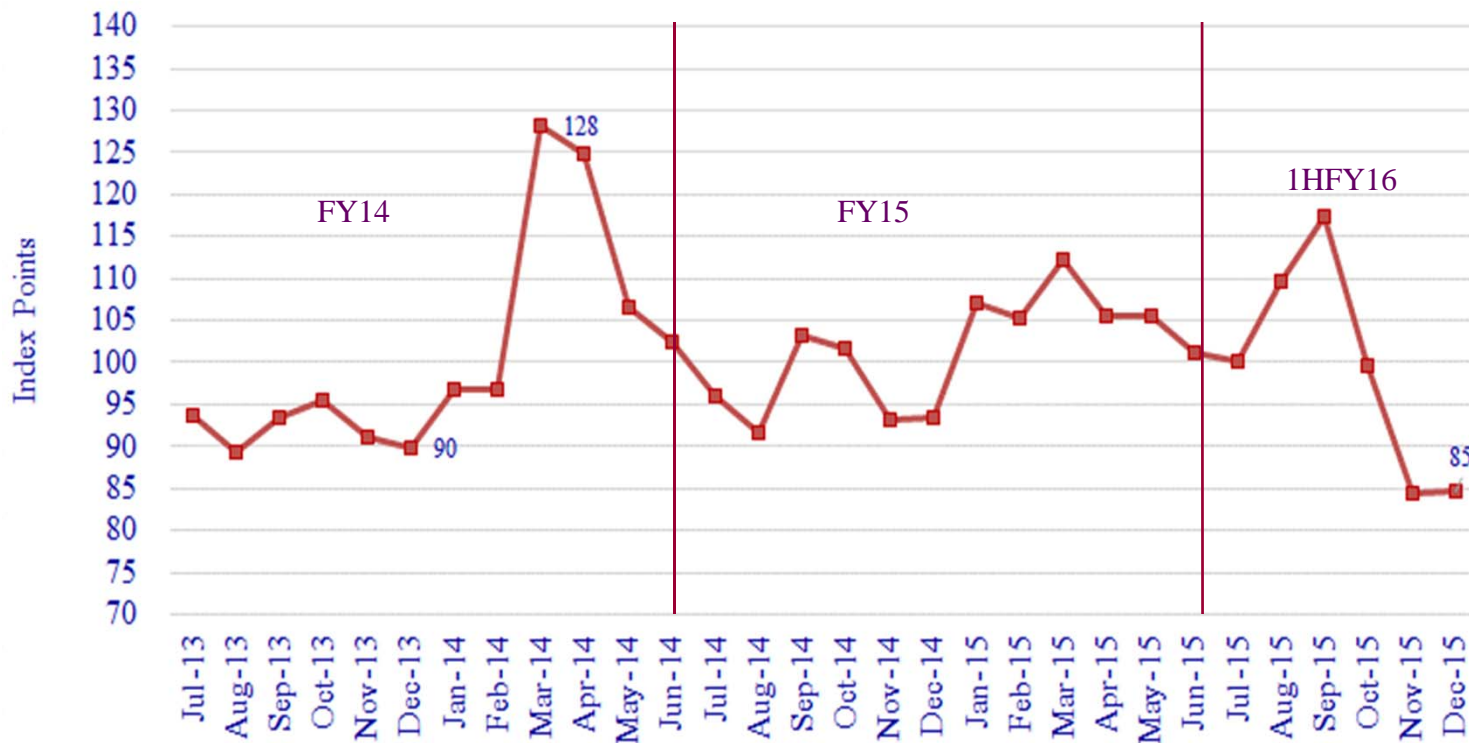


- Baltic Dry Index continues to decline – largely remained on lower side except touching spikes at times based on segments' dynamics
- Key factor – Global supply pressure – newly built large vessels
- Dry bulk market rates for 2015 and beyond is likely to be dominated by growing supply and uncertainties concerning demand for dry bulk commodities from China



# Shipping Industry | Freight Rates | Liquid<sup>2</sup>

AFRA Index | Trend

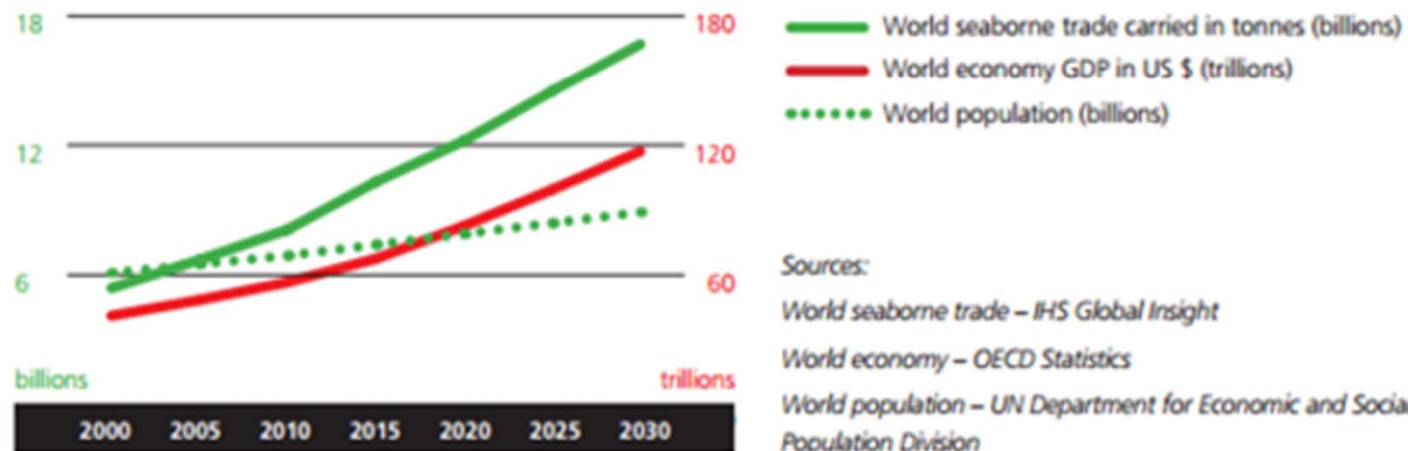


- Afra Index - one of the benchmarks index for liquid cargo freight and is indexed to commodity price
- The index continued to post volatility. Although crude oil prices dropped in 2HCY15 impacting freight rate; the rise in demand for liquid cargo and slow expansion in oil fleet supply, kept the freights range bound

# Shipping Industry | Outlook <sup>7</sup>

## Predicted Increases in World Seaborne Trade, GDP and Population

### PREDICTED INCREASES IN WORLD SEABORNE TRADE, GDP AND POPULATION



Sources:

World seaborne trade – IHS Global Insight

World economy – OECD Statistics

World population – UN Department for Economic and Social Affairs, Population Division





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- 4 ▪ [http://www.pbs.gov.pk/sites/default/files//tables/Table\\_4\\_.pdfff](http://www.pbs.gov.pk/sites/default/files//tables/Table_4_.pdfff)
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- 6 ▪ <https://www.quandl.com/data/LLOYDS/BDI-Baltic-Dry-Index>
- 7 ▪ <http://www.ics-shipping.org/shipping-facts/shipping-and-world-trade/predicted-increases-in-world-seaborne-trade-gdp-and-population>

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