

SECTOR INSIGHTS

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Pakistan's Aviation Sector: Reforming for Connectivity, Efficiency and Economic Value

Civil aviation is vital for Pakistan's economic connectivity and trade. Over 19 years, it served nearly 340 million passengers, growing from 12.8 million in 2006–07 to 24.3 million in 2024–25 with an 89% increase driven mainly by international travel. Despite this growth, the market remains uneven, with airline exits, rising concentration, and dominance of foreign state-backed carriers. Pakistan's civil aviation sector is a key economic engine, directly employing 56,700 people and contributing USD 2.1 billion (0.6% of GDP), with a total impact of USD 5.6 billion and 683,900 jobs when tourism and supply-chain effects are included. Aviation enabled tourism alone adds USD 952 million to GDP, supports 227,900 jobs, and brings in USD 1.6 billion in international visitor spending. The market was projected to reach USD 6.0–8.1 billion by 2030, with 48.5 million travelers and 54% of revenues from online bookings. With major policy reforms i.e. Civil Aviation Act 2023 restructuring of CAA, PAA, BASI, improved ICAO ratings, EASA/UK ban removals, and Gwadar Airport's launch, the sector stands at a critical inflexion point.

Table 1: Economic & Institutional Significance

Year	Key Developments
1946	• At Quaid-e-Azam Muhammad Ali Jinnah's direction, M.A. Ispahani and other Muslim businessmen established Orient Airways in Calcutta, laying the foundation for Pakistan's future air connectivity..
1947	• Following independence, Orient Airways commenced operations on 4 June, supporting refugee transportation and establishing early air links between Karachi and Dacca.
1948–1954	• Orient Airways expanded domestic and regional routes while developing initial maintenance and technical capabilities, supporting the growth of Pakistan's aviation infrastructure.
1955-1956	• Orient Airways merged with Pakistan International Airlines (PIA), established under the PIA Corporation Ordinance. The PIA Act, 1956, provided its statutory and governance framework. PIA also launched its first scheduled international service to London.
1960-1965	• PIA entered the jet age with a leased Boeing 707, while the Civil Aviation Ordinance, 1960, strengthened aviation regulation. PIA also inaugurated air services to China.
1970s	• PIA's nationalisation reinforced direct state ownership. The 1975 Airports Security Force Act strengthened airport security, while bilateral air service agreements expanded international connectivity.
1982	• The Pakistan Civil Aviation Authority Ordinance established PCAA, consolidating aviation administration within a specialised public-sector institution.
1990s	• Private-sector airline participation expanded, introducing competition alongside PIA. Pakistan also concluded an Open Skies agreement with the United States in 1997, widening international market access.
2012-2013	• The Carriage by Air Act, 2012, strengthened the legal framework for air transport liabilities. In 2013, civil aviation administration was placed under the federal Aviation Division.
2016	• The PIA Corporation (Conversion) Act converted PIAC into a public limited company, introducing a company-based governance structure while retaining government ownership.
2017–2019	• Pakistan's aviation market continued to operate through PIA and private carriers, amid concerns over competition, market access and airline financial performance.
2020	• EASA suspended PIA's authorisation to operate in the EU following concerns over pilot licensing and aviation oversight. The COVID-19 pandemic further disrupted global aviation and airline revenues.
2021–2022	• Pakistan continued addressing aviation governance and regulatory oversight, while airlines faced recovery challenges involving fuel costs, foreign-exchange constraints and aircraft availability.
2023-2024	• Parliament enacted the Pakistan Civil Aviation Act, Pakistan Airports Authority Act and Pakistan Air Safety Investigation Act, separating regulatory, airport-operation and accident-investigation functions. • PIA's financial position became a major driver of restructuring, with reported accumulated losses of PKR 499 billion, liabilities of PKR 825 billion and assets of PKR 161 billion in 2023. • In April 2024, specified non-core assets and legacy liabilities were transferred to PIA Holding Company Limited to facilitate the restructuring of the core airline business.
2025-2026	• PIA's privatisation process advanced with an Arif Habib-led consortium emerging as the successful bidder on 23 December 2025. • Following the execution of transaction documents in January 2026, the first financial closing was completed on 29 June 2026, transferring management control to the consortium. • Meanwhile, Islamabad International Airport was included in the privatisation programme under a long-term concession model, with the Asian Development Bank appointed as financial adviser in July 2026.

Current Overview

Aviation is a strategic driver of economic growth, supporting trade, tourism, employment and international connectivity. Pakistan's geographical location and reported network of 62 airports offer significant potential to strengthen regional air links. However, infrastructure gaps, limited connectivity and operational inefficiencies continue to constrain the sector's performance.

Key indicators highlight both the sector's potential and challenges:

Air transport network: In 2023, six airlines operating across 19 reported airports handled approximately 11.88 million passengers and 67,007 flights, with airport accessibility reaching 74%.

Tourism competitiveness: Pakistan ranked 101st among 119 economies in the Travel and Tourism Development Index, despite travel and tourism contributing 5.8% to GDP.

PIA performance: In FY2025, Pakistan International Airlines (PIA) generated approximately PKR 212 billion in revenue and PKR 16 billion in operating profit, indicating potential for further operational restructuring.

Sector contraction: Air transport contracted by 2.91%, according to the Pakistan Economic Survey 2025–26, highlighting persistent structural inefficiencies and underutilised capacity.

Globally, aviation is projected to serve 5.2 billion passengers and contribute over US$4 trillion to the world economy in 2026. For Pakistan, ongoing privatisation initiatives, proposed airport concessions and infrastructure modernisation present an opportunity to improve governance, attract private investment and unlock the sector's wider economic potential.

PIA's performance during 2021–2025 reflects a substantial revenue recovery accompanied by persistent challenges in passenger growth and operational productivity. Operating revenue increased from PKR 86.2 billion in 2021 to PKR 211.7 billion in 2025, representing cumulative growth of approximately 145.6%, although remaining 11.3% below the 2023 peak of PKR 238.5 billion.

Table 2: Overall Aviation Indicators

INDICATOR	REPORTED VALUE
Number of Airlines	6
Number of Airports	19
Number of Passengers (2023)	11,881,408
Flights (2023)	67,007
Tourism Contribution to GDP	5.8%
Aviation Infrastructure Score	3.3
Airport Accessibility	74%
Travel & Tourism Development Index Ranking	101/**119**
Connectivity Ranking	73 (108.8)

Source: Air Transport Action Group (ATAG), Aviation Benefits Beyond Borders 2024, p. 78, Pakistan country profile.

Table 3: Airport Infrastructure and Connectivity Overview by IATA Code

S#	IATA CODE	AIRPORT NAME	CITY	AIRLINES	DESTINATIONS
1	KHI	Jinnah International Airport	Karachi	20	36
2	LHE	Allama Iqbal International Airport	Lahore	17	31
3	PEW	Peshawar International Airport	Peshawar	10	17
4	SKT	Sialkot Airport	Sialkot	6	9
5	MUX	Multan International Airport	Multan	4	8
6	UET	Quetta International Airport	Quetta	3	8
7	LYP	Faisalabad International Airport	Faisalabad	2	1
8	SKZ	Sukkur Airport	Mirpur Khas	2	5
9	BHV	Bahawalpur Airport	Bahawalpur	2	3
10	DBA	Dalbandin Airport	Dalbandin	1	1
11	DEA	Dera Ghazi Khan Airport	Dera Ghazi Khan	1	2
12	DSK	Dera Ismail Khan Airport	Dera Ismail Khan	1	2
13	GWD	Gwadar International Airport	Gwadar	1	3
14	GIL	Gilgit Airport	Gilgit	1	1
15	MJD	Mohenjo-daro Airport	Mohenjo-daro	1	2
16	PJG	Panjgur Airport	Panjgur	1	1
17	RYK	Shaikh Zaid Airport	Rahim Yar Khan	1	3
18	KDU	Skardu Airport	Skardu	1	1
19	TUK	Turbat International Airport	Turbat	1	6
20	PZH	Zhob Airport	Fort Sandeman	1	2
21	CJL	Chitral Airport	Chitral	1	2

Source: The 21 Biggest Airports in Pakistan (PCAA for FY2023–24)

Table 4: PIAC Performance Indicators

INDICATORS	2021	2022	2023	2024	2025
PIAC Fleet (No. of Planes)	30	35	32	33	31
Route (Km)	374,054	341,821	301,832	593,063	570,223
Available Seat (Million Km)	7,682	13,075	13,768	12,123	12,466
Passenger Load Factor (Percent)	66.9	80.3	83.3	81.8	82
Revenue Flown (000 Km)	34,544	53,811	57,122	51,984	53,841
Revenue Hours Flown (Hours)	55,710	84,742	90,067	82,043	79,862
Revenue Passengers Carried (000 nos.)	2,657	4,281	4,496	3,904	3,791
Revenue Passengers (Million Km)	5,138	10,497	11,468	9,918	10,172
Revenue Load Factor (Percent)	53.7	58.0	60.9	64.4	64
Operating Revenue (Rs millions)	86,185	172,038	238,505	204,164	211,667*
Operating Expenses (Rs million–unaudited)	101,212	183,345	235,317	194,807	198,263

**Net Revenue for CY 2025 (PIA's financial year is based on the calendar year).*
Source: Pakistan International Airlines

Passenger load factor improved from 66.9% to 82%, indicating stronger seat utilisation. Nevertheless, passengers carried declined from 4.50 million in 2023 to 3.79 million in 2025, while the fleet contracted from 33 aircraft in 2024 to 31 in 2025. Operating expenses increased by approximately 1.8% in 2025 against revenue growth of 3.7%, suggesting some improvement in the operating cost-revenue relationship. These divergent trends demonstrate that higher capacity utilisation and revenue recovery have not necessarily translated into sustained traffic expansion, reinforcing the importance of fleet productivity, cost optimization and commercially viable route development under the post-privatisation framework.

The comparative market structure illustrates a significant change in PIA's ownership status following privatisation, while the composition of its principal domestic and international competitors remains largely unchanged. The transition from state ownership to private management creates opportunities for greater commercial autonomy, operational restructuring and market-oriented decision-making. However, PIA continues to compete with established domestic carriers and financially strong foreign airlines, including Saudi Arabian Airlines, Qatar Airways, Emirates and flydubai, which benefit from extensive international networks and established regional hubs. Consequently, privatisation alone cannot guarantee improved competitiveness or market share. Sustainable commercial recovery will depend on efficient fleet deployment, competitive operating costs, route profitability, service quality and the ability to attract passengers through commercially differentiated offerings. The ownership transition therefore represents an opportunity for structural reform rather than an immediate transformation of competitive market conditions.

Table 5: Pre And Post Privatisation Competition Dynamics In The International Market

PERIOD	DOMESTIC AIRLINES	OWNERSHIP STATUS	MAJOR FOREIGN COMPETITORS (SOEs)
Pre-Privatization	PIA	SOE	Saudi Arabian Airlines
	Air Blue	Private	Qatar Airways
	Air Sial	Private	Emirates
	Fly Jinnah	JV (Air Arabia 45%)	Fly Dubai
Post-Privatization	PIACL	Private	Saudi Arabian Airlines
	Air Blue	Private	Qatar Airways
	Air Sial	Private	Emirates
	Fly Jinnah	JV (Air Arabia 45%)	Fly Dubai

Source: Pakistan Civil Aviation Market Assessment 2025

Future Outlook and Policy Priorities

Pakistan's aviation sector enters a consequential phase in which institutional reforms, private-sector participation and infrastructure modernization could redefine its long-term economic contribution. The privatisation of PIA, proposed airport concessions and restoration of international market access offer opportunities to improve commercial efficiency, attract investment and strengthen Pakistan's position in regional aviation networks. However, sustained progress will depend on the effective implementation of reforms, restoration of financial resilience and development of a competitive operating environment. Continued geopolitical uncertainty, fuel-price volatility, foreign-exchange constraints and competition from established international carriers remain significant downside risks.

The medium-term outlook is therefore cautiously optimistic, with growth prospects linked to fleet modernization, commercially viable route expansion, improved airport productivity and integrated passenger and cargo connectivity. The development of Gwadar as a potential multimodal logistics gateway, together with digitalisation and improved international aviation partnerships, could support trade facilitation and investment. Nevertheless, infrastructure expansion must be supported by credible demand assessments, sustainable financing arrangements and coordinated regulatory oversight to prevent underutilization and additional fiscal burdens.

Institutional Governance and Regulatory Independence: Strengthen the operational independence, accountability and technical capacity of aviation regulatory institutions, ensuring effective implementation of the 2023 legislative reforms. Establish transparent performance benchmarks, independent safety oversight and clearly defined responsibilities for regulators, airport operators and airline management.

Privatisation and Commercial Restructuring: Ensure that PIA's transition towards private management delivers measurable improvements in profitability, fleet utilisation, operational efficiency and service standards. Structure airport concessions through competitive bidding, transparent contractual arrangements and performance-based monitoring, while protecting public assets and ensuring value for money.

Fleet Modernisation and Route Competitiveness: Prioritize financially sustainable fleet renewal, strategic aircraft leasing and demand-driven route expansion. Strengthen domestic carriers' competitiveness against foreign airlines through improved cost management, service differentiation, commercially justified direct international connections and strategic aviation partnerships.

Aviation Fuel Security and Operational Resilience: Develop coordinated contingency frameworks to address fuel supply disruptions, geopolitical risks, airspace restrictions and flight cancellations. Encourage fuel-efficient operations, diversified procurement arrangements and robust business continuity planning to mitigate external shocks and safeguard passenger and cargo services.

Airport Infrastructure and Integrated Logistics: Improve airport capacity utilisation, cargo-handling efficiency and connectivity with ports, industrial zones and road networks. While prioritizing commercially feasible multimodal infrastructure, particularly the integration of New Gwadar International Airport with Gwadar Port and associated trade corridors, to facilitate exports, logistics investment and regional economic integration.

Market Competition and Consumer Protection: Promote a transparent and competitive aviation market through equitable market access, effective competition oversight and fair airport service arrangements. Strengthen passenger rights, service reliability, fare transparency and complaint-resolution mechanisms to improve consumer confidence and encourage sustainable market development.

Digital Transformation and Human Capital Development: Accelerate the adoption of integrated airport management systems, digital cargo documentation, advanced passenger processing and data-driven airline operations. Complement technological investment with specialised workforce training, aviation safety competencies, maintenance capabilities and professional development to improve productivity and operational standards.

Sustainable Aviation and Investment Facilitation: Introduce commercially viable measures for fuel efficiency, airport energy management and emissions reduction, while assessing the long-term feasibility of sustainable aviation fuels. Encourage domestic and foreign investment through predictable regulatory frameworks, transparent public-private partnerships and investment decisions supported by rigorous financial and economic appraisal.

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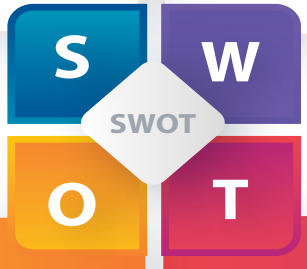
S.W.O.T Analysis of Pakistan's Aviation Sector

STRENGTHS

- Pakistan connects South Asia with the Middle East, Central Asia and international markets.
- An existing network of airports, domestic airlines and international air links supports passenger and cargo operations.
- Aviation facilitates tourism, international trade, employment, business mobility and investment.
- PIA privatisation and proposed airport outsourcing create opportunities for improved commercial management and operational efficiency.
- Gwadar Port, New Gwadar International Airport and the Eastbay Expressway provide a foundation for integrated transport and logistics.
- Aircraft leasing, maintenance, aviation technology and operational partnerships can support sectoral development.

WEAKNESSES

- Pakistani carriers faced strategic decisions on direct international routes, hub-based connectivity, market access and network profitability.
- Inconsistent airport counts, reporting periods and sector indicators complicate performance assessment and policy planning.
- Dependence on imported aviation fuel and exposure to foreign exchange fluctuations increase airline expenditure.
- Airline restructuring, fleet investment requirements and efficiency improvements remain important challenges.
- Airport accessibility, service quality and supporting logistics infrastructure require further development.
- Fleet modernization, airport upgrades and digital transformation require substantial capital and effective implementation.



OPPORTUNITIES

- Private-sector management can support financial restructuring, fleet expansion, improved service delivery and commercially viable route development.
- Private investment and operational expertise may improve airport efficiency, passenger facilities and non-aeronautical revenues.
- Expanded routes to Central Asia, the Middle East and other markets could strengthen trade, tourism and business travel.
- Integrated sea-air cargo services could support trade facilitation and regional supply chains.
- Fuel-efficiency improvements, renewable energy at airports and the evaluation of sustainable aviation fuels could enhance long-term energy resilience.

THREATS

- Established international airlines and regional carriers can place pressure on domestic airlines' fares, market share and profitability.
- Weak governance, inadequate oversight or poorly structured concession agreements could limit the benefits of privatisation and airport outsourcing.
- Decarbonization requirements and the high cost of sustainable aviation fuels may increase long-term investment needs.
- Aircraft delivery delays, maintenance constraints and restricted access to aviation components can affect operational continuity.
- Inflation, currency depreciation and weaker purchasing power can constrain passenger demand and investment.