CHAPTER 3

Manufacturing and Mining

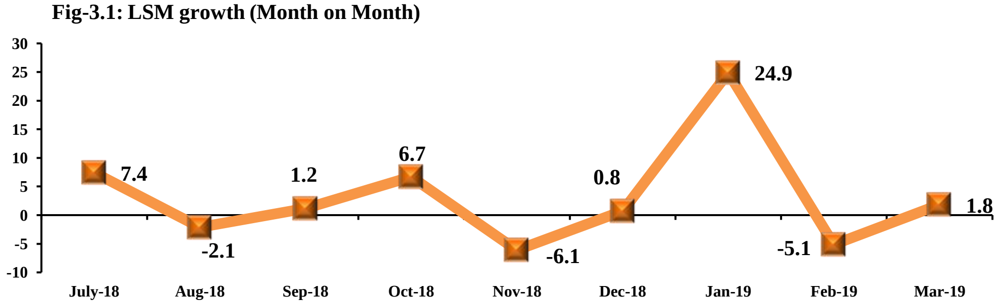
Manufacturing plays a vital role in economic development. The contribution of Manufacturing in GDP is hovering around the 13.5-13.8 percent for almost decade, while for the current fiscal year it declined to 13.0 percent. The performance of major crops, power slippages, global commodity price shocks, and contraction in demand of domestic consumer goods hindered the growth of manufacturing sector.

Large Scale Manufacturing (LSM) has 78 percent share in Manufacturing and 10.2 percent in GDP whereas Small scale manufacturing accounts for 2.0 percent in GDP. The third component of the sector is Slaughtering and account 0.9 percent in GDP.

The Large Scale Manufacturing (LSM) growth during July-March FY 2019 declined to 2.93 percent as compared to 6.33 percent in the same period last year. On Year on Year (YoY), LSM growth witnessed sharp decline of 10.63 percent in March 2019 compared to increase of 4.70 percent in March 2018.

The current Fiscal Year 2019 started with 7.4 percent growth mainly contributed by Electronics 95.6 percent, Non metallic minerals product 17.9 percent (Cement 18.0 percent) and Automobiles 22.1 percent (Jeeps & Cars 36.1 percent, Trucks 33.1 percent and Buses 54.3 percent). However, it declined by 2.1 percent in August 2018 on account of dismal performance witnessed in Non metallic mineral products which declined by 4.1 percent (Cement declined by 4.0 percent), Automobiles declined by 13.9 percent (LCVs -15.9 percent, Tractors -4.8 percent and Cars -15.9 percent) and Electronics -32.5 percent. However, it marginally improved in September 2018 by 1.2 percent. This improvement was on account of Non metallic mineral products by 8.9 percent (Cement 8.4 percent). In October 2018, it reached to 6.7 percent on account of recovery witnessed in Non metallic mineral product by 22.2 percent (22.3 percent growth in Cement), Automobiles 13.8 percent (LCVs 8.7 percent, Tractors 26.6 percent and motor cycles 5.4 percent), Fertilizer 14.5 percent and Electronics 24.1 percent. In November 2018, LSM witnessed a sharp dip of 6.1 percent due to decline in Food, Beverages and Tobacco growth by -8.9 percent, Textile -0.2 percent and Paper & Board -27.0 percent. A slight recovery of 0.8 percent witnessed in December 2018. However, steep rise witnessed in January 2019 by 24.9 percent owing to phenomenal improvement of 208.1 percent in electronics, Paper & Board 23.8 percent and Food, Beverages & Tobacco 76.2 percent due to Sugar production increased by 183 percent. The impact of sugar however, moderated to 2.0 percent and -27.0 percent in February and March 2019. The graph below shows the LSM behavior on Month on Month basis.

Fig-3.1: LSM growth (Month on Month)



Source: Pakistan Bureau of Statistics

There are a number of factors which contributed to the slowdown in the growth of LSM including lower PSDP expenditures compared to last year, slowdown in the private sector construction activities and consumer spending on durable goods. This was more noticeable in construction-allied industries. Demand for housing moderated as the price of building materials and cost of financing increased. Certain sector-specific issues also contributed to the decline in LSM. Automobile prices witnessed multiple upward revisions due to PKR depreciation which held the potential buyers refrained from making booking and purchases. Certain restrictions on non-filers with respect to purchase of cars further dampened the automobile demand. Pharmaceutical also suffered due to a considerable lag in regulatory adjustments in prices. This pricing issue was in addition to weakening of the local currency, which added to the distress of an import dependent sector. Similarly, lower sugarcane production and previous year's inventories further dampened the prospects of the sugar industry.

Group wise growth and points contribution to LSM during the period of July-March FY 2018 versus July-March FY 2019 are given in the following Table 3.1.

Table 3.1: Group wise growth and Point Contribution rate to LSM for the Period of Jul- Mar 2018-19 Vs Jul-Mar 2017-18

S#	Groups	Weights	% Change	
			July-March	
			2017-18	2018-19
1	Textile	20.915	0.54	-0.30
2	Food, Beverages & Tobacco	12.370	-0.76	-4.69
3	Coke & Petroleum Products	5.514	12.31	-6.00
4	Pharmaceuticals	3.620	4.50	-8.40
5	Chemicals	1.717	0.86	-3.94
6	Automobiles	4.613	18.90	-7.58
7	Iron & Steel Products	5.392	27.49	-11.00
8	Fertilizers	4.441	-8.30	4.50
9	Electronics	1.963	73.77	23.70
10	Leather Products	0.859	-6.83	0.97
11	Paper & Board	2.314	9.00	-3.86
12	Engineering Products	0.400	8.35	9.54
13	Rubber Products	0.262	6.51	3.47
14	Non-Metallic Mineral Products	5.364	12.32	-4.96
15	Wood Products	0.588	-19.71	15.21

Source: Pakistan Bureau of Statistics

The performance of textile sector remained under stress during the period as it declined by 0.3 percent against meager growth of 0.5 percent during the same period last year. The performance of Textile sector having highest weight of 20.91 in Quantum Index Manufacturing (QIM) remained subdued on account of lackluster performance of cotton yarn 0.02 percent and cotton cloth 0.07 percent having a combined weight of 20.15 in textile sector. The textile export data is relatively encouraging on account of its wide-ranging coverage than the LSM data as in addition to cotton yarn and fabrics, it also includes the higher value added items like hosiery, knitwear, towels and readymade garments.

The Food Beverages and Tobacco recorded a decline of 4.7 percent on account of decline in sugar 13.3 percent. During last few years, sugar industry outburst with impressive growth on the back of increased sugarcane crop in the country. However, in FY 2019 the progress stalled in line with reduction in crop. The other sectors recorded declined during the period are Tea blended 4.0 percent and soft drinks 4.2 percent which overshadowed the growth of cigarettes production. The improvement in tobacco sector is on account of crackdown on curbing the illegal imported products as well illicit production facilities. The items which recorded growths are Cigarettes 7.2 percent, starch and its products 6.4 percent and Juices, syrups & squashes 11.3 percent.

The petroleum products is undergoing a significant shift in the country due to the government's policy of reducing the reliance on electricity generated from furnace oil based power plants. Furnace oil production sharply contracted by 11.1 percent. However, LPG recorded impressive growth of 27.7 percent, Diesel oil 32.7 percent and motor spirit 7.7 percent.

Automobile sector growth declined by 7.6 percent during July-March FY 2019. Its sub sector except such as Buses grew by 16.9 percent while all other registered negative growth such as; Tractors 28.7 percent, Trucks 27.2 percent, LCVs 13.6 percent, Jeeps & Cars 0.1 and motor cycles 11.7 percent. The factors which impacted this vibrant sector remained currency depreciation, policy rate hikes and uncertainty regarding filer versus non filer issue. The assemblers passed on the impact of depreciation to the customer. Furthermore, the increase in car prices along with higher financing costs has also contained the demand for automobiles. However, later on government relaxed some restrictions on non-filer and also government's commitment to implement the vehicle import policy in letter and spirit will spur the growth.

The production of Iron and Steel shrank due to dismal performance of billets/Ignots which grew by -24.7 percent whereas H/C.R. Sheets/Strips/Coils/plates slightly inched up to 3.1 percent. Steel demand contracted from decline in automobile production along with international price dynamics. During the period global economy is currently gripped by US-China trade tensions which led to volatility in the global steel market resulted adverse implications for domestic steel industry.

The electronics recorded a growth of 23.7 percent, mainly derived from phenomenal growth of electrics motor which registered a growth of 37.4 percent, which is due to its wide usage in washing machines, refrigerator, air conditioners etc. The demand for these goods rises in summer and manufacturers build up the inventories. Improvement of electricity supplies also contributed to the performance of this subsector.

The dismal performance of Non-metallic mineral growth is on account of cement production which declined by 5.5 percent. The cement dispatches however, increased by 4.34 million tons in March as against 3.35 million tons in February 2019 which augur well that demand is picking up and will be further supplemented under government's housing program, going forward.

Fertilizers recorded a growth of 4.5 percent on account of Nitrogenous Fertilizers which recorded a growth of 5.7 percent. The pickup in its growth was due to provision of subsidized RLNG.

Selected items of Large Scale Manufacturing are given in Table 3.2.

Table-3.2 : Production of selected industrial items of Large Scale Manufacturing

S#	Items	Unit	Weights	July-March		% Change (Jul-Mar) 2018-19	% Point Contribution (Jul-Mar) 2018-19
				2017-18	2018-19		
1	Cotton Yarn	(tones)	12.9646	2,574,215	2,574,700	0.02	0.00
2	Cotton Cloth	(000 sq.m.)	7.1858	784,635	785,200	0.07	0.01
3	Sugar	(tones)	3.5445	5,653,589	4,898,869	-13.35	-0.47
4	Tea Blended	(tones)	0.3818	124,787	119,739	-4.05	-0.02
5	Cooking Oil	(Tones)	2.2271	296,520	297,998	0.50	0.01
6	Vegetable Ghee	(000 tones)	1.1444	1,022,824	1,030,533	0.75	0.01
7	Cigarettes	(Million No.)	2.1252	45,627	48,931	7.24	0.15
8	Deep Freezers	(Nos.)	0.1622	79,449	79,757	0.39	0.00
9	Refrigerators	(Nos.)	0.2394	912,362	865,480	-5.14	-0.01
10	Phosphate Fertilizer	(N tones)	0.3996	485,501	463,787	-4.47	-0.02
11	Nitrogenous Fertilizer	(N tones)	4.0411	2,085,670	2,204,632	5.70	0.23
12	Cement	(000 tones)	5.299	31,228	29,527	-5.45	-0.29
13	Jeep & Cars	(Nos.)	2.8183	176,007	175,863	-0.08	-0.00
14	Upper Leather	(000 sq.m.)	0.3924	20,223	20,620	1.96	0.01

Table-3.2 : Production of selected industrial items of Large Scale Manufacturing

S#	Items	Unit	Weights	July-March 2017-18	July-March 2018-19	% Change (Jul-Mar) 2018-19	% Point Contribution (Jul-Mar) 2018-19
15	Liquids/Syrups	(000 Litres)	1.1361	81,036	78,661	-2.93	-0.03
16	Tablets	(000 Nos.)	1.9143	21,224,146	21,119,512	-0.49	-0.01
17	Petroleum products	(000 Litres)	5.4096	12,142,845	11,414,558	-6.00	-0.32
18	Billets/Ingots	(Tones)	1.5234	3,973,000	2,990,954	-24.72	-0.38
19	H/C.R sheets/Strips/Coils/plate	(Tones)	2.2841	3,191,550	3,291,600	3.13	0.07

Source: Pakistan Bureau of Statistics (PBS)

The government has recently announced Naya Pakistan Housing Scheme to construct houses across the country for the uplift of the poor strata of the society and to bring them into the national mainstream. This will jack up the construction industries specially cement and also generate employment. In addition, SAIC motor, the largest automotive company of China already launches HONGYAN heavy-duty trucks in Pakistan as well as Renault in partnership with Ghandara Nissan Ltd. Kia Lucky Motors Pakistan Limited (KLM), one of the eight new prospective entrants into the automobile sector, has announced that it will begin commercial production of vehicles by September 2019. The rapidly developing with many infrastructure projects especially under China Pakistan Economic Corridor will helped to boost the automobile sector as well push up the construction related allied industries.

3.2 Textile Industry

Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. The sector contributes nearly one-fourth of industrial value-added and provides employment to about 40 percent of industrial labor force. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 59 percent in national exports. The export performance during the period under review is given in Table 3.3.

Table 3.3: Export of Pakistan Textiles (US$ Millions)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (Jul-Mar)
Cotton & Cotton Textiles	13349	13139	12168	12205	13220	9771
Synthetic Textiles	383.47	330.743	287.793	187.587	309.681	220
Sub-Total Textiles	13731	13469	12455	12450	13530	9991
Wool & Woolen Textiles	125	119.448	97.68	78.506	75.852	50.688
Total Textiles	13857	13589	12553	12529	13606	10042
Pakistan`s Total Exports	25131	23885	20802	20478	23222	17083
Textile as %age of Export	55.14	56.90	60.34	61.35	58.59	58.78

Source: Ministry of Textile

3.2.1 Ancillary Textile Industry

The ancillary textile industry includes cotton spinning, cotton cloth, cotton yarn, cotton fabric, fabric processing, home textiles, towels, hosiery and knitwear and readymade garments, these components are being produced both in the large scale organized sector as well as in the unorganized cottage / small and medium units. The performance of these various ancillary textile industries is illustrated as under:-

i. Cotton Spinning Sector

The spinning sector is the backbone in the ranking of textile production. At present, as per record of Textiles Commissioner's Organization (TCO), it comprises 517 textile units (40 composite units and 477 spinning units) with 13.414 million spindles and 198801 rotors installed and 11.338 million spindles and 126583 rotors in operation with capacity utilization of 84.55 percent and 63.67 percent, respectively.

ii. Cloth Sector

Problems of the power loom sector evolve mainly due to the poor technology and scarcity of quality yarn. Looms installed in cotton textile mills are 9,084 and looms worked were 6,384. Moreover, Production of cloth in mill sector is reported whereas in non-mills sector is not reported and therefore is estimated. The production of cotton cloth has remained stagnant which slightly increased by 0.03 percent while the exports in term of quantity increased by 18.1 percent whereas in value term decreased by 2.09 percent.

Table 3.4: Production and export of Clothing Sector

Production	July-Mar 2018-19	July-Mar 2017-18	% Change
Mill Sector (000. Sq. Mtrs.)	785200	784635	0.07
Non Mill Sector (000. Sq. Mtrs.)	6100150	6098745	0.02
Total	6885350	6883380	0.03
Cotton Cloth Exports			
Quantity (M.SqMtr.)	1967.303	1666.130	18.08
Value (M.US$)	1596.271	1630.268	-2.09

Source: Ministry of Textile

iii. Textile Made-Up Sector

Being value added segment of textile industry made-up sector comprises different sub groups namely towels, tents & canvas, cotton bags, bed-wear, hosiery, knitwear & readymade garments including fashion apparels. Export performance of made-up sector during the period July-March FY 2019 is presented in Table 3.5.

Table 3.5: Export of Textile Made-Ups

	(July-Mar) 2018-19	(July-Mar) 2017-18	% Change
Hosiery Knitwear			
Quantity (M.Doz)	89.231	77.712	14.82
Value (M.US$)	2155.039	1971.906	9.29
Readymade Garments			
Quantity (M.Doz)	37.528	29.289	28.13
Value (M.US$)	1957.018	1918.313	2.02
Towels			
Quantity (M.kgs)	137.318	154.237	-10.97
Value (M.US$)	587.779	598.845	-1.85
Tents/Canvas			
Quantity (M.kgs)	24.093	22.871	5.34
Value (M.US$)	68.252	65.953	3.49
Bed Wears			
Quantity (M.kgs)	308.150	279.460	10.27
Value (M.US$)	1719.185	1674.096	2.69
Other Made up			
Value (M.US$)	519.857	513.364	1.26

Source: Ministry of Textile

a) Hosiery Industry

The industry sustains directly livelihood of 210,000 skilled workers and 490,000 unskilled workers. Another 350,000 people benefit in allied cottage industries. Thus, the industry provides directly and indirectly sustenance to well over a million people. Knitwear exports consists of knitted and processed fabrics knitted garments; knitted bed sheets, socks etc. The export performance of knitwear during the period under review is given in Table 3.6.

Table 3.6: Export of Knitwear

	July-Mar 2018-19	July-Mar 2017-18	% Change
Quantity (M.Doz)	89.231	77.712	14.82
Value (M.US$)	2155.039	1971.906	9.29

Source: Ministry of Textile

b) Readymade Garment Industry

Readymade garment industry has emerged as one of the important small scale industries in Pakistan. Its products have large demand both at home and abroad. The local requirements of readymade garments are almost fully met by this industry. Garment industry is also a good source of providing employment opportunities to a large number of people at a very low capital investment. It mainly uses locally produced raw materials. Most of the machines used by this industry are imported or locally made/assembled. Exports increased from 29.3 million dozens to 37.5 million dozen in various types of readymade garments worth US$ 1918.3 million during Jul-Mar FY 2018 as compared to US$ 1957.0 million during Jul-Mar FY 2019, thus showing an increase of 2.02 percent in terms of value and 28.13 percent in term of quantity.

Table 3.7: Export of Readymade Garments

	July-Mar 2018-19	July-Mar 2017-18	% Change
Quantity (M.Doz)	37.528	29.289	28.13
Value (M.US$)	1957.018	1918.313	2.02

Source: Ministry of Textile

c) Towel Industry

There are about 10,000 towel looms including shuttle and shuttle less in the country in both organized and unorganized sector. This industry is dominantly export based and its growth has all the time depended on export outlets. The existing towels manufacturing factories are upgraded to produce higher value towels. Export performance of towel sector during the period is given in Table 3.8.

Table 3.8: Export performance of Towel sector

	July-Mar 2018-19	July-Mar 2017-18	% Change
Quantity (M.kgs)	137.318	154.237	-10.97
Value (M.US$)	587.779	598.845	-1.85

Source: Ministry of Textile

d) Canvas

The production capacity of this sector is more than 100 million Sq. meters. This sector is also known as raw cotton consuming sector. In term of quantity during Jul-Mar FY2019 it was recorded at 24.1 million Kgs as compared to 22.9 million Kgs during the same period last year thus showing increase of 5.34 percent. In value term it increased by 3.49 percent.

Table 3.9: Export performance of Tent and Canvas Sector

	July-Mar 2018-19	July-Mar 2017-18	% Change
Quantity (M.kgs)	24.093	22.871	5.34
Value (M.US$)	68.252	65.953	3.49

Source: Ministry of Textile

iv. Textile Made-Up Sector

Synthetic fibers Nylon, Polyester, Acrylic and Polyolefin dominate the market. There are currently five major producers of synthetic fibers in Pakistan, with a total capacity of 636,000 tons per annum. Artificial silk resembles silk but costs less to produce, with capacity in country about 9000 looms.

During July-Mar FY 2019, synthetic textile fabrics worth $ 220.45 million were exported as compared to $ 227.77 million during the same period which is showing a decrease of 3.21 percent as compared to last year. In Quantity term the exports of synthetic increased by 11.95 percent.

Table 3.10: Export performance of Synthetic Textile Fabrics

	July-Mar 2018-19	July-Mar 2017-18	% Change
Quantity (Th.Sq.Mtrs)	248.919	222.352	11.95
Value (M.US$)	220.453	227.770	-3.21

Source: Ministry of Textile

v. Woolen Industry

The main products manufactured by the Woolen Industry are carpets and rugs. The exports of carpets during the period July-Mar FY 2019 is given in the Table 3.11.

Table 3.11: Exports of Carpets and Rugs (Woolen)

	July-Mar 2018-19	July-Mar 2017-18	% Change
Quantity (Th.Sq.Mtr)	1.189	1.345	-11.60
Value (M.US$)	50.688	57.936	-12.51

Source: Ministry of Textile

vi. Jute Industry

The main products manufactured by the Jute Industries are Jute Sacks and Hessian cloth, which are used for packing and handling of Wheat, Rice and Food Grains. The installed and working capacity of jute industry is given in the Table 3.12.

Table 3.12: Installed and working capacity of Jute

	(July-Mar) 2018-19	(July-Mar) 2017-18	% Change
Total No. of Units	10	10	0%
Spindles Installed	24712	25208	2.00
Spindles Worked	14276	12511	-12.36
Looms Installed	1072	1106	3.17
Looms Worked	772	720	6.73

Source: Ministry of Textile

The production of the Jute goods during Jul-Mar FY2019 remained at 47,897 metric tons and last year it was 55,734 metric tons, respectively showing a decline of 14.1 percent.

3.3 Other Industries

3.3-1 Automobile Industry

The auto sector continues to stand out as one of the best performing, amongst the large-scale manufacturing sectors, in terms of providing jobs, revenues and in bringing technological advancement to the country. At present , there may be transient deceleration in growth, but as the auto policy (ADP 2016-21) is going to bear fruits, there would be paradigm shift in the industry when many new players would soon join the market with entirely new models. Besides, the existing players have already made huge investments and a lot more is in waiting. Despite extraneous factors particularly in terms of tariffs and import of used vehicles, which still hold 18 percent market share, huge expansion of industry volumes take place to enact much awaited take off stage as envisioned in the Auto Policy 2016-21.

Automobile prices witnessed multiple upward revisions due to PKR depreciation, economic slowdown to curtail domestic demand and price-sensitive potential buyers refrained from making purchases. In addition, certain restrictions on non-filers with respect to purchase of cars further dampened the automobile demand. There has been sluggishness everywhere in the local auto industry during the current financial year; except buses where normal growth of 17 percent has taken place, during Jul-Mar FY2019. Indeed, there is enormous potential in demand for buses, waiting to unleash when serious measures are taken on formulating and implementing Urban Transport Schemes in the cities by replacing the old and dilapidated buses, presently plying on the roads of most of metropolitan areas.

A persistent decline was in evidence, in case of Trucks, registered 27 percent loss in production. The non-filers policy may not have impacted here; but the work at certain government projects had halted, so are the supplies of trucks and the respective payments, resulting disruption of the chain of events at the trucking industry.

During Jul-Mar, FY 2019, the farm tractor sector massively declined by 28.7 percent as the production recorded at 37,457 units against 52,551 units produced, in the corresponding period of the last year. This decline was due to massive slow down in agriculture growth, water shortages and other issues like increase in the prices of agricultural inputs and halting of development projects added woes of the farmers, thus badly impacted the bookings of Farm Tractors.

Passenger car sector was somewhat resistant to the general receding trend in the industry with meager growth of 2.4 percent. The growth was impacted by repeated policy changes with regard to non-filers like imposition ban on purchase, heavy taxation on registration by non-filers and the recent 10 percent levy of federal excise duty. The imposition of 10 percent FED on exceeding 1700cc engine capacity has badly impacted locally produced cars, jeeps and SUBS. The LCV/pick-ups being price sensitive also lost ground, 14 percent down in production.

The two/three wheelers sector also failed to show normal growth, it rather dropped off production by 5.8 percent during Jul-Mar FY2019. These vehicles cater to lower income group, hence, are extremely price sensitive. Still, this sector offers most preferred and economical means of transport and best alternative in the absence of public transport in the cities and thus holds a dependable and continued potential for growth in the coming years.

The Table below shows previous year’s comparative position of production in auto industry (PAMA members).

Table 3.13: Production of Automobiles

Category	Installed Capacity	No. of Units		
		2018-19 (Jul-Mar)	2017-18 (Jul-Mar)	% change
CAR	240,000	170,118	166,166	2.4
LCV	43,900	19,536	22,713	-14.0
JEEP	5,000	5,745	9,841	-41.6
BUS	5,000	649	555	16.9
TRUCK	28,500	5,027	6,907	-27.2
TRACTOR	100,000	37,457	52,551	-28.7
2/3 WHEELERS	2,500,000	1,342,185	1,424,379	-5.8

Source: Pakistan Automotive Manufacturer Association (PAMA)

3.3-2 Fertilizer Industry

Fertilizer industry is important for economic development and the prosperity of farming community. The industry produces, imports and distributes fertilizer throughout the country. As fertilizer is an important input for agriculture growth: the government’s intervention in the shape of subsidy and tax relaxations has improved the performance of the agriculture sector. There are ten urea manufacturing plants, one DAP, three NP, four SSP, two CAN and one plant of blended NPKs having a total production capacity of 9218 thousand product tonnes per annum. Total production during first nine months (July to March) of the current fiscal year was 5756 thousand tonnes which was 2.7 percent less as compared to the corresponding time frame of the last year. This increase in production is attributed to the provision of LNG at subsidized rate to Fatima Fert. and Agritech plants. Urea is main fertilizer having 70 percent share in production capacity. Although installed production capacity of 6408 thousand tonnes per annum is enough to meet local demand but gas curtailment for fertilizer sector and high price of LNG has resulted in production of urea at 80% of capacity. Consequently, domestic demand has to be met through imported supplies during peak demand time of crop growing season. About 105 thousand tonnes of urea was imported during current fiscal year.

Nutrient offtake during July 2018 to March 2019 was 3497 thousand tonnes which was 7.2 percent less than the corresponding period of the previous year. Nitrogen and Phosphate offtake was 2551 and 900 thousand tonnes respectively, whereas Potash offtake was 46 thousand tonnes. The recommended level of fertilizer use in Pakistan for Nitrogen (N), Phosphate (P) and Potash (K) is 2:1:0.5. Current fiscal year first nine months estimates shows that Nitrogen (N) and Phosphate offtake has been decreased by 2.9 and 18.1 percent respectively, while Potash (K) offtake has surged by 4.5 percent as compared to last year.

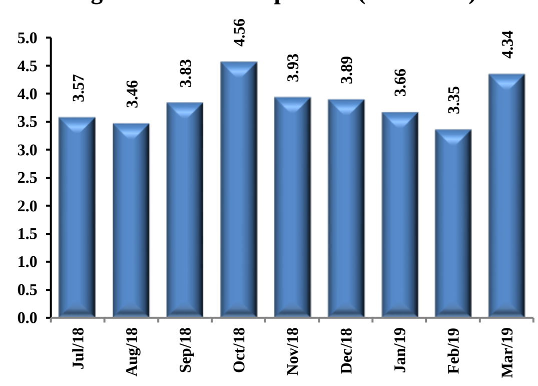
Urea and DAP offtake during first nine months of current fiscal year was 4443 thousand tonnes and 1743 thousand tonnes respectively. Urea and DAP offtake decreased by 2.2 and 17.7 percent respectively, as compared to the same time frame of the last year.

3.3-3 Cement Industry

Pakistan's cement industry showed poor performance during the first nine months of current financial year July -March FY 2019. Cement sector with its huge underused capacities continued to face lack of domestic demand due to slow growth, low development spending and delayed in launch of the government’s low-cost housing scheme.

While cement consumption is usually at its height in March as construction activities peak with the pleasant weather and urgency in completing government development works within the financial year. Total dispatches (local and exports) in March 2019 declined by 6.7 percent to 4.34 Mt from 4.652 Mt in March 2018. The decline in domestic consumption continued as it went down to 3.858 Mt in March 2019 from 4.26 Mt in March 2018, depicting a decrease of 9.4 percent. Though exports continued to increase, the growth posted in March 2019 (23.1 percent) is the lowest export growth in the last seven months.

Fig-3.2: Cement Dispatches (M.Tonnes)



Source: All Pakistan Cement Manufacture Association

Northern region

Domestic consumption in the northern part of the country continued to decline as it was only 3.071 Mt last month when compared with 3.543 Mt in the year-ago period. Exports from northern mills also declined to 0.131 Mt in March 2019 from 0.218 Mt in March 2018.

Southern region

Domestic dispatches from mills in the southern part of the country edged up to 0.787 Mt in March 2019 as compared to 0.717 Mt in March 2018. Furthermore, exports from the region doubled from 0.173 Mt in March 2018 to 0.35 Mt in March 2019.

Cumulative dispatches

Total local dispatches during Jul-Mar FY 2019, fell to 29.448 Mt from 31.314 Mt, whereas exports rose to 5.132 Mt from 3.444 Mt in FY2017-18. According to the APCMA, of particular concern is the continued slump in the northern region where local dispatches have declined by over 10 per cent in last nine months from 25.887 Mt in FY2017-18 to 23.199 Mt in the corresponding period of FY2018-19.

However, local dispatches from the mills situated in southern region of the country have increased during Jul-Mar FY2019 by 15.16 percent to 6.248 Mt from 5.426 Mt in Jul-Mar FY 2018. Exports also rose in the south by 210 percent in the current fiscal year, from 1.013 Mt in July-Mar FY 2018 to 3.143 Mt in Jul-Mar FY2019, while in the north the exports stood at 1.988 Mt in first nine months of this fiscal year as compared to 2.431 Mt during the same period last year, a decline of 18.2 percent.

The cement industry has been under pressure in this fiscal year as development expenditure has been slashed, however, government announcement of program to build five million low cost houses in next five years for the homeless will spur the growth.

Table 3.14: Cement Production Capacity & Dispatches **(Million Tonnes)**

Years	Production Capacity	Capacity Utilization (%)	Local Dispatches	Exports	Total Dispatches
2006-07	30.50	79.23	21.03	3.23	24.26
2007-08	37.68	80.14	22.58	7.72	30.30
2008-09	42.28	74.05	20.33	10.98	31.31
2009-10	45.34	75.46	23.57	10.65	34.22
2010-11	42.37	74.17	22.00	9.43	31.43
2011-12	44.64	72.83	23.95	8.57	32.52
2012-13	44.64	74.89	25.06	8.37	33.43
2013-14	44.64	76.79	26.15	8.14	34.28
2014-15	45.62	77.60	28.20	7.20	35.40
2015-16	45.62	85.21	33.00	5.87	38.87
2016-17	46.39	86.90	35.65	4.66	40.32
2017-18	53.44	85.87	41.15	4.75	45.89
July-Mar					
2017-18	49.44	93.74	31.31	3.44	34.76
2018-19	57.13	80.71	29.45	5.13	34.58

Source: All Pakistan Cement Manufacturers Association (APCMA)

3.4: Small and Medium Enterprises

SMEs play a key role in shaping national growth strategies, employment generation and improving standard of living of the vulnerable segments of the society. SMEs are the backbone of the economy but lack resources to adopt new technologies and improve their production based on latest development. To provide impetus to SME sector and enhances its competiveness, the present government, is developing National SME Policy 2019, which will serve as Government of Pakistan's master plan for providing support to catalyze growth of the sector. The focus of the policy shall be on job creation, export enhancement and increased contribution of SMEs in the National economy. The policy will address core SME development issues, including access to finance, Business Development Services (HR Development, Technology, Marketing, Market Access, Standards and Certifications etc.), simplification & rationalization of taxation regime and reduction in cost of doing business. A cohesive strategic framework for business facilitation across the public sector institutional infrastructure, both federal & provincial, will be developed for implementation of policy under the principle of ease of doing business.

In order to formulate the Policy, a participatory process has been adopted to identify real SME challenges, which will be coupled with a strategy to address them. In this regard, Focus Group Discussions, Workshops and Consultative sessions were held nationwide (Lahore, Islamabad, Multan, Peshawar, Swat, Sialkot, Gujranwala & Gujrat) during current fiscal year. Eminent researchers, representatives of chambers of Commerce & Industry, Trade Associations and academia are also actively involved in the policy making Committee to provide necessary guidance to the policy formulation process. The first meeting of Steering Committee for national SME Policy was held in December 2018. The draft Policy shall be submitted for approval to the Federal Cabinet in 2019.

i. SMEDA over the Counter (OTC) Services (July 2018-Mar 2019):

SME Facilitation	4,972
Pre-feasibility Studies Development (New & updated)	22
Investment Facilitation (PKR Million)	389.82
Business Plans	10
Training Programs	233
Cluster/District Profiles (New and Update)	13
OTC Products (Food Safety, Business Management, A2F etc)	23
Diagnostic/Value Chain Studies	8
Theme Specific Helpdesks	90
SMEDA Web Portal (Download Statistics)	69,733
SME Observer	1 issue
SMEDA Newsletter	3issues
SMEDA Research Journal	Annual

v. Special Projects with International Development Partners

a. Economic Revitalization of Khyber Pakhtunkhwa and erstwhile Federally Administered Tribal Areas (ERKF)

Economic Revitalization of Khyber Pakhtunkhwa and Federally Administered Tribal Areas (ERKF) is a Multi Donor Trust Fund Project (MDTF). The project was initiated to provide assistance in the economic recovery and rehabilitation of crisis affected areas of Khyber Pakhtunkhwa and erstwhile FATA.

After the successful completion of Phase-I, MDTF extended the project to Phase-II (2017-2020). Under Phase-II, ERKF Project is offering support to SMEs on the basis of 50% matching share through the following types of grants;

1. **Rehabilitation Grant** – This grant is given to SMEs for rehabilitation of businesses affected by crisis in Khyber Pakhtunkhwa and erstwhile FATA. The program provides the flexibility of using these grants either for capital expenditures or for working capital.
2. **Up-gradation Grant** – Up-gradation grant is available to those SMEs that have an existing business and they need support for upgrading their business processes for improving their productivity and efficiency.
3. **Cluster Grant** – this type of grant is provided to groups of SMEs (at least 5 SMEs). Preference is given to those project that benefit, not only the concerned SMEs, but the entire cluster.

In order to raise awareness of Phase-II of the project, SMEDA arranged several awareness sessions across the Khyber Pakhtunkhwa province for providing hands on information to SMEs, including women entrepreneurs. Application forms of respective grants have also been provided to all SMEs, chambers associations and other business representative bodies in the region.

Under Phase-II of ERKF project (July 2018 – March 2019), a total amount of PKR 274.25 million has been approved/sanctioned to 372 SMEs in the region. The project aims to achieve its development objective by 2020, through creation of sustainable employment opportunities and rehabilitation of small and medium enterprises (SMEs).

b. SMEDA Industrial Support Program:

In order to provide support to the Industry, SMEDA collaborates with international development organizations, such as; Japan International Cooperation agency (JICA), German International Cooperation (GIZ), Training and Development Centers of the Bavarian Employers Association (bfz), Germany and local experts. Technical assistance is provided to SMEs across a range of industries to improve productivity, competitiveness and energy efficiency. During July 2018 to March 2019, SMEDA provided support to Auto Parts manufacturers by conducting energy audits, improving production efficiency, enhancing productivity, increasing capacity of local engineers and training.

vi. Cluster Development Based Mineral Transformation Plan/Vision 2025

SMEDA was awarded a contract for a project titled 'Feasibility Research Study on Cluster Development Based Mineral Transformation Plan/Vision 2025' by the Planning Commission. The project entails an extensive study of 20 mineral clusters besides improving the efficiency of existing ones throughout the value chain i.e. supply-chain development, market intelligence, attraction of foreign direct investment & improved processing. From July 2018 to March 2019, first draft of 20 cluster profiles was completed and submitted to the Planning Commission. Moreover, 5 value chain studies were also developed; i) Gypsum, ii) Gemstone, iii) Coal, iv) Chromite, and v) Dimension Stones (Marble, Granite and Onyx). In addition to this, database of 1800 SMEs has also been developed.

3.6: Mineral Sector

The mineral potential of Pakistan is widely recognized to be excellent but this sector over the past inadequately developed. This is evident that its contribution to industry as a sub sector 13.5 percent and GDP remained 2.7 percent. Although efforts are underway to developed but enough remains to be done to enhance the sector to take full advantage of its endowment. This sector is lagging behind despite huge potential, due to interconnected and cross cutting issues like lack of infrastructure at mines sites, low level of technology installed and semi skilled labor, low financial support and lack of marketing.

The Mining and Quarrying sector negatively grew by 1.96 percent during Jul-Feb FY 2019 as against 7.7 percent last year. Chromite, Magnesite, Rock salt, Barytes, Ocher and Crude oil posted a positive growth of 228.69 percent, 159.63 percent, 12.65 percent, 22.15 percent, 19.12 percent and 0.47 percent, respectively.

However, some witnessed negative growth during the period under review such as Coal 25.42 percent, Natural gas 1.98 percent, Sulphur 40.72 percent, Calcite 91.49 percent, Soap stone 13.12 percent, Marble 4.66 percent and Bauxite 30.82 percent (Table 3.15).

Table 3.15: Extraction of Principal Minerals

Minerals	Unit of Quantity	2016-17	2017-18	2018-19	%Change FY19/FY18
Coal	M.T	3,953,992	4,477,555	3,339,582	-25.42
Natural Gas	MMCFT	1,471,854	1,458,935	1,430,097	-1.98
Crude Oil	JSB(000)	32,269	32,557	32,711	0.47
Chromite	M.T	105,238	97,420	320,209	228.69
Magnesite	M.T	19,656	23,596	61,263	159.63
Dolomite	M.T	301,124	488,825	467,131	-4.44

Table 3.15: Extraction of Principal Minerals

Minerals	Unit of Quantity	2016-17	2017-18	2018-19	%Change FY19/FY18
Gypsum	M.T	2,079,629	2,475,893	2,641,833	6.70
Lime Stone	M.T	52,144,064	70,818,725	73,515,665	3.81
Rock Salt	M.T	3,534,075	3,647,584	4,108,929	12.65
Sulphur	M.T	23,740	22,040	13,065	-40.72
Barytes	M.T	91,711	88,847	108,531	22.15
Calcite	M.T	4,448	1,692	144	-91.49
Soap Stone	M.T	152,279	141,504	122,938	-13.12
Marble	M.T	4,904,141	8,813,025	8,402,276	-4.66
Bauxite	M.T	75,375	145,189	100,439	-30.82
Quartz	M.T	98,529	117,785	114,184	-3.06
Ocher	M.T	86,080	75,939	90,461	19.12

Source: Pakistan Bureau of Statistics (PBS)

Punjab:

Mines and Minerals Department aims to ensure responsible mineral development that contributes the most advantageous level of mineral revenue while respecting the principles of sustainable development.

Following Schemes is underway to develop the sector.

i. Resource estimation of placer gold in river Indus flowing through District Attock

Placer gold occurrences along the dispositional meanders of River Indus have been of great interest for exploration of gold resources in the upper reaches of Chitral, Gilgit, Hunza and adjoining areas to explore the source rocks for gold. River Indus enters Punjab from downstream of Tarbila dam and after passing through areas of Ghazi, Waisa, Attock, Khurd, Choai, Jhand, Kalabagh etc., enters into Dera Ismael Khan, beyond the boundary of Punjab province. The Indus river course mainly falls in District Attock & Mianwali in Punjab.

Table 3.16: Mineral Production Data

MINERALS	Jul-Feb FY 2019 (M tonnes)
Arg Clay LSM	3,818,152
Bauxite	63,924
Coal	675,659
China Clay	6,796
Dolomite	2,702
Fireclay	469,351
Fuller Earth	9,460
Gypsum	914,320
Gypsum LSM	213,546
Iron Ore	337,485
Lime Stone	14,845,031
Lime Stone LSM	15,568,255
Rock Salt	1,817,855
Rock Salt LSM	835,092
Silica Sand	259,433
Silica Sand LSM	27,657

The objective is to determine the economic potential of the placer gold in specified areas of river Indus at different locations in District Attock. According to the results, viable block(s)/ zone(s) can be granted of concessions under the Punjab Mining Concession Rules 2002.

ii. Construction of drainage Nala for disposal of saline water from sandstone leases of chak No.123 SB and 126 SB, District Sargodha

Mines & Minerals Department has 58 blocks of Sandstone in Kirana Hills of District Sargodha in the province of Punjab and the leases of these blocks have been granted through open auction under the provision of Punjab Mining Concession Rules 2002.

As excavation of stone from these hills/ blocks is being done since long, pits have been developed in most of the blocks having depths of 15-25 feet due to extensive working. Almost in all the pits, water gets accumulated due to seepage and rain which causes lessees immense difficulties during mining operations. This situation compels the lessees to dispose this saline water from the pits on to nearby lands & pits of other vacant blocks. Due to this uncontrolled disposal of saline water, the surrounding lands have gotten affected badly causing unrest among the inhabitants.

Therefore, construction of drainage nala to dispose of this saline water is a basic necessity of the stone market and the locals which on one hand will eventually make the pits workable and on the other facilitate the local land owners and inhabitants.

Khyber Pakhtunkhwa:

The total area of Khyber Pakhtunkhwa is 74,521 Sq Km out of which 70 percent consist of mountains and rocks. The formation of these rocks contains huge prospects of different metallic /non-metallic minerals and various precious/semi-precious gemstones minerals. It has large number of mineral resources which have not yet been exploited at all to its full potential. Based on the exploration done so far, excellent prospects of other valuable deposits exist. The production data of mineral in respect of Khyber Pakhtunkhwa is given in the table.

Table 3.17: Mineral Production Data

MINERALS	**Jul-March FY 2019 (M. tonnes)**
Barytes	1,813
Bauxite	4,910
Coal	25,402
Dolomite	288,864
Granite	9,999,060
Gypsum	216,833
Iron ore	23,550
Lime stone	10,922,199
Marble	2,313,251
Rock salt	57,300

Sindh:

Sindh is located in the Southern part of Pakistan. From East to West, it is comprised of three main geological zones, namely the Thar Desert, the Indus Plain and Delta, and the Khirthar Mountains. At present about 24 minerals are under exploitation but on small scale. Sindh government has accorded priority to the development of mineral sector as it correlates with the development of remote areas of province as well as alleviating poverty. Mines and Mineral development department are being acquired by latest mineral exploration techniques for effective date geological generation and identification of exploration targets.

Sindh produces a variety of commercial clays, including Fuller’s Earth, China Clay, Fire Clay, Ball Clay and Bentonite. It is endowed with large and extensive deposits of Limestone. Keeping in view the contribution of mineral sector in GDP which can also be enhanced by commercial exploitation of granite, marble and the other minerals as well. The Directorate General of Mines & Mineral Development, sponsored the on-going ADP-Scheme-2018-19 title “Feasibility Study of granite Deposits in District Tharparkar Sindh” and “Exploration, evaluation and value addition of Granite Deposits in Sindh for economical & industrial use”.The scheme will be completed in June 2020. The Mines & Mineral Development Department, Government of Sindh has also proposed a Scheme titled as “Sindh Mineral Policy” for the year 2019-20.

The Mines & Mineral Development Department, has already established Geo-data Centre with official web portal which will provide all the necessary information to the General Public as well as Investors/Stake holders. This carries with mineral based information and online granted leases database along with provision of information regarding the granted areas in the Sindh.

Balochistan

Balochistan is the largest province (area wise) of the country constituting about 43% of the total

National landmass. The Country, in general, and the province in particular, is endowed by the nature with the blessing of substantial mineral wealth. Mineral industry can play an important role in boosting up the socio-economic setup in Balochistan as agriculture in other parts of the country but due attention could not be given to the exploration and development of mineral sector due to financial constraints, heavy risk investment and lack of infrastructure as the deposits are located in remote and far flung areas.

Nature has gifted Balochistan with vast natural resources. Efforts are being made for scientific exploration and exploitation of minerals resources of the province. Major mineral potentials are described as under:-

i. Metallic Minerals (Chromite, Iron, Copper/Gold, Lead Zinc, Titanium potential and Antimony

ii. Non-Metallic Minerals (Coal, Gypsum, Fluorite, Magnesite, Baryte, Vermiculite, Asbestos, Dimension stone)

Currently the Government has planned projects related to management of the Mining Industry, however, following are the potential projects for development and investment related to CPEC and also in general for the government and private sector:

Project	**Location**	**Cost (Billion PKR)**
▸ Establishment of Mini Steel Mills	Mastung and Chagai	15
▸ Cement Manufacturing Plants	Quetta, Kalat, Mastung, Loralai, Lasbella, MBarkhan, Bolan, Sibi, Hernai and Kohlu	05
▸ Establishment of Coal based thermal Power Stations.	Quetta, Loralai, Sibi and Hernai.	03
▸ Establishment of Ferro-Chrome Plant	Muslim Bagh and Khuzdar	05
▸ Establishment of Marble Cities.	Chagai, Khuzdar and Loralai	02
▸ Establishment of Barium Chemical Compounds Industry	Khuzdar	02

Conclusion:

Large Scale Manufacturing (LSM) performance remains muted due to lower PSDP expenditures compared to last year, slowdown in the private sector construction activities and consumer spending on durable goods along with low labor productivity. Adjustments, stabilization and reform process will continue for higher growth. The government is seriously focusing on ease of doing business by making efforts to rebuild investors confidence and trying to remove all basic impediments that adversely affect business environment and thus investment in the country. Going forward, some gradual recovery in economic activity is expected on the back of improved market sentiment in the context of the IMF supported program. The rebound in the agro based industries as well as government incentives for export oriented industries will improve labor productivity which will help in reviving LSM in medium term.