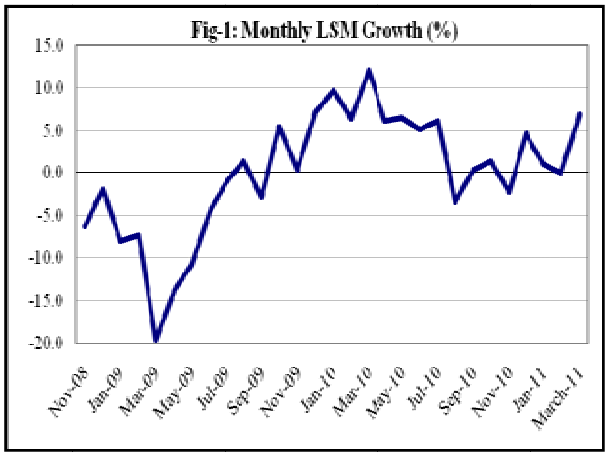
3 Manufacturing and Mining

Introduction

The manufacturing sector has been a major contributor towards promoting economic growth, employment generation, competiveness and trade development in the globe. Large Scale Manufacturing (LSM) remained victim of power outages and lower domestic demand for last few years. Slowdown in large-scale manufacturing inhabits the impact of severity of energy shortages and electricity tariff hike leading to cost escalation. The positive terms of trade shock has helped improved competitiveness for textile sector in particular and other conventional exports based small and medium manufacturing sector. The international experience suggests that lack of growth momentum in this sector can be attributed to the number of obstacles such as low quality of products, lack of research and development, inadequate investment, minimal exposure to the international market, inadequate infrastructure and unskilled labour. This is true for Pakistan's manufacturing sector's history as well. Recent deceleration in the sector is further compounded by the deteriorating law and order situation, energy crisis, natural calamities, growing input prices and higher inflation. Considering the past performance and potential of this vital sector, there is ample space in the manufacturing sector to contribute positively towards economic growth.

The performance of the manufacturing Sector during July-March 2010-11 has been a boom bust phenomenon. Some months has shown positive growth rate while the rest has depicted the negative growth rates [see Figure-1]. Beside range of factors, three regular features persistently affected the performance of the manufacturing sector are; energy crisis, and ever rising input cost and lack of demand.

The growth in large scale manufacturing peaked at 12 percent in March 2010 on the back of rising demand of automobile sector and improvement in the textile and other engineering products. But since then, the growth rate started deceleration due to reduction in cement and steel production. The abysmal performance was witnessed in the month of November 2010 with LSM growth dropping to 4.6 percent. The end of year 2010 saw an improved performance from the large scale sector on the back of addition to capacity in fertilizer, steel and increased demand for durables. Despite prevailing energy crisis and weak textile performance, LSM posted positive growth in December 2010 onwards.



Group Wise Performance

The group-wise performance of the large scale manufacturing showed mixed results. The performance of large scale manufacturing (LSM) is not satisfactory for the current fiscal year when compared with the performance of the previous year owing to lower demand and restraints on supply side. From the Table-3.1, it is evident that the major positive contribution towards modest growth performance came from durables like growth in automobiles came from additional

resources transferred to rural sector, external demand driven growth in textile group and leather products, and some impetus from pharmaceuticals and chemicals groups. The negative growth in the petroleum group is driven by circular debt, and lower domestic and external demand for cement drove negative growth in non metallic minerals products, and domestic lower consumption demand compelled negative growth in steel and electronics industries.

Quantum Index of Large-scale manufacturing (QIM) managed to register positive growth of 1.71 percent during the period July-March 2010-11 over comparable period of last year. Main contributors to this modest growth include; leather products (30 percent), automobile (14.6 percent), Food, Beverages & Tobacco (9.3 percent), Paper & Board (2.9 percent), Chemical (1.4 percent) Fertilizers (0.8 percent), Pharmaceuticals (0.5 percent) and Textile (0.2 percent). However, some groups dragged index down with negative growth include; engineering product (15.4 percent), Steel product (13.1 percent), Electronics (12.9 percent), non-metallic minerals (9.6 percent) and petroleum products (4.2 percent).

Table 3.1: Group wise growth and Point Contribution rate of LSM for the month of Jul-March 2010-11 vs July- March 2009-10

S.No.	Groups	Weights	% Change July-March		% Point Contribution July-March	
			2009-10	2010-11	2009-10	2010-11
1	Textile & Apparel	26.408	-0.3	0.2	-0.08	0.05
2	Food, Beverage & Tobacco	14.352	-3.3	9.3	-0.47	1.33
3	Petroleum Group	5.232	-5.9	-4.2	-0.31	-0.22
4	Pharmaceutical	5.03	7.5	0.5	0.38	0.03
5	Non-Metallic Minerals Products	4.192	11.9	-9.6	0.50	-0.40
6	Automobile	3.955	31.6	14.6	1.25	0.58
7	Steel Products	3.504	-27.1	-13.1	-0.95	-0.46
8	Fertilizers	3.383	10.9	0.8	0.37	0.03
9	Chemicals	2.884	0.8	1.4	0.02	0.04
10	Electronic	2.485	18.8	-12.9	0.47	-0.32
11	Leather Products	2.272	23.6	30	0.54	0.68
12	Paper & Paper Board	0.6	-1.4	2.9	-0.01	0.02
13	Engineering Products	0.446	6.0	-15.4	0.03	-0.07
14	Tyres & Tubes	0.303	29.7	0.05	0.09	0.00
	All Groups	75.075	4.36	1.71	3.27	1.28

Source : Federal Bureau of Statistics

Initial spurt in large scale manufacturing was supported by enormous raise in pays and allowances of public sector employees, and huge transfer of resources to rural areas owing to higher prices of agriculture output. Moreover, significant rise in worker remittances and well as public and private transfers to the flood affected population has strongly impacted on the consumer demand for durable goods. Textile sector performance has shown slight improvement owing to spike in global prices.

The performance of the LSM is affected by the factors like weakening of demand in the international and domestic market, inflation, high input costs, high government sector borrowing crowding out availability of credit to the private sector and acute energy shortages.

Some important item-wise contribution in Large Scale Manufacturing (LSM) growth includes Power looms (70.8 percent), TV sets (28.6 percent), sugar (26.5 percent), LCVs (23.3 percent), cars & jeeps (16.1 percent), cooking oil (9.7 percent) and wheat milling (6.9 percent). However, some of the items depict negative growth such as deep freezers (49.3 percent), diesel engines (33.9 percent), buses (24.7 percent), pig iron (15.9 percent), beverages (12.5 percent), cotton ginned (10.5 percent) and cement (9.7 percent).

Item wise review of production of selected items of large scale manufacturing during July-March 2010-11 is given in Table- 3.2.

Table-3.2: Production of Selected Industrial Items of Large Scale Manufacturing

S.No.	Item	Weight	Unit	(July-March)		% Change (Jul-Mar) 2010-11	% Point Contribution (Jul-Mar) 2010-11
				2009-10	2010-11		
1	Deep Freezers	0.3992	(000 tonnes)	130.6	66.2	-49.2	-0.2
2	Jeeps and Cars	2.534	(Nos.)	87.4	101.5	16.1	0.4
3	Refrigerators	0.5890	(000 tonnes)	706.9	733.4	3.8	0.02
4	Upper leather	1.1173	(000 sq.m.)	17.2	18.8	8.9	0.1
5	Cement	4.1412	(000 tonnes)	23.1	20.8	-9.7	-0.4
6	Liquids/syrups	1.5250	(Million Liters)	57.5	62.6	8.8	0.1
7	Phos. Fertilizers	1.8852	(000 N tonnes	367.2	385.3	4.9	0.09
8	Tablets	2.5750	(Nillion Nos)	15500.8	15791.6	1.9	0.05
9	Cooking oil	1.3192	(000 tonnes)	208.9	229.1	9.7	0.1
10	Cotton (ginned)	3.3682	(000 tonnes)	1647.4	1474.1	-10.5	-0.4
11	Nit. Fertilizers	1.4978	(000 N tones)	1869.2	1668.0	-10.8	-0.2
12	Cotton Cloth	7.5493	(Million sq.m.)	761.9	764.4	0.3	0.03
13	Vegatable Ghee	4.2423	(000 tonnes)	785.8	809.0	2.9	0.12
14	Cotton Yarn	13.0659	(Million Kg)	2159.1	2200.4	1.9	0.3
15	Sugar	4.1495	(000 tonnes)	3077.9	3892.1	26.5	1.1
16	Petroleum Products	5.2320	(Million Liters)	8784.1	8415.9	-4.2	-0.3
17	Cigarettes	3.0551	(Billion Nos)	49.5	47.5	-4.1	-0.1
18	Coke	1.4408	(000 tonnes)	261.4	218.8	-16.3	-0.2
19	Pig iron	1.6134	(000 tonnes)	388.7	326.7	-15.9	-0.3

Source: Federal Bureau of Statistics

Industrial Investment:

The provisional estimates of industrial investment or gross capital formation in the manufacturing sector registered a decline of 11 percent in the current fiscal year 2010-11. This decline is due to massive decline in private investment in the manufacturing sector, which decreased by 11.1 percent. On the other hand public sector capital formation also decreased by 3.5 percent. The public and private sector investment in large scale manufacturing decline by 3.5 and 27.2 percent respectively. The entire investment in small-scale has come from private sector and has registered a positive growth of 14.6 percent. The details of industrial investment are given in Table 3.3.

Table 3.3 : Distribution of Industrial Investment

Description	2007-08	2008-09	2009-10	2010-11	% Change
Manufacturing	364.1	375.5	355.1	316.0	-11.0
Public	1.3	4.3	3.8	3.7	-3.5
Private	362.8	371.2	351.2	312.3	-11.1
Large-Scale Manufacturing	271.8	254.9	220.1	161.2	-26.7
Public	1.3	4.3	3.8	3.7	-3.5
Private	270.6	250.7	216.2	157.5	-27.2
Small Scale Manufacturing	92.2	120.5	135.0	154.7	14.6
Private	92.2	120.5	135.0	154.7	14.6

Source: Federal Bureau of Statistics

3.2 Textile Industry

Textile industry contributes about 60% to the total export earnings of the country, accounts for 46% of the total manufacturing and provides employment to 38% of the manufacturing labour force. The availability of basic raw material for textile industry, cotton, has played a principal role in the growth of the industry. Pakistan is 4th largest producer and 3rd largest consumer of cotton. The textile and clothing industry will

continue to be the driving force of Pakistan's economic growth; as there is no substitute industry or service sector that has the potential to benefit the economy with foreign currency earnings and new jobs creation. Pakistan's textile industry had proved its strength in the global market during the last four decades. It has proved its strength in post-quota era by sustaining its position and growth

Global Overview

The textile and clothing trade has increased from US$ 355 billion in 2000 to $613 billion in 2008, but it shrank to $527 billion in 2009 due to global financial meltdown. Moreover, the clothing trade is growing at a faster rate than other textiles as world clothing export grew from $197 billion in 2000 to $316 billion in 2009. On the other hand world textile export expanded from $157 billion in 2000 to $211 billion in 2009. The global financial crisis since late 2007 adversely impacted the trade in textiles. The weaker demand in the developed economies limited the expansion of global trade, however, following series of economic stimulus packages, world trade started to pick-up again since March 2009 but world merchandise trade dropped by 23 per cent in 2009 (in nominal terms) which is the highest ever decline in more than 50 years. The recovery in world trade is currently fueling optimism for trade prospects for Pakistan. Pakistan exported textiles worth $ 6.5 billion and clothing worth $3 billion in 2009 as compared to textiles worth $ 7.4 billion and clothing worth $ 3.9 billion in 2008.

Table-3.4: Export of Textile and Clothing **(US $ Billions)**

	2000	2004	2005	2006	2007	2008	2009
World Textile	157.3	195.5	202.7	220.4	240.4	250.2	211.0
World Clothing	197.7	260.6	276.8	309.1	345.8	361.9	316.0
Total	**355.0**	**456.1**	**479.5**	**529.5**	**586.2**	**613.1**	**527.1**
Pakistan Textile	4.5	6.1	7.1	7.5	7.4	7.2	6.5
Pakistan Clothing	2.1	3.0	3.6	3.9	3.8	3.9	3.0
Total	**6.7**	**9.1**	**10.7**	**11.4**	**11.2**	**11.1**	**9.5**
% age of World Trade	1.88%	2.01%	2.23%	2.15%	1.91%	1.81%	1.80%

Source: WTO

Domestic Overview:

The power and gas outages and ever-rising cost of doing business have deteriorated capacity utilization in domestic textile and clothing industry. The global shortage in availability of cotton was caused by the shortfall due to floods driven crop failures in China and Pakistan, which are the biggest producers and consumers of cotton in the world. However, demand for imported cotton soared after floods damaged crops in big producers China, Pakistan and Australia. Besides the foreign demand for Pakistan's cotton yarn has risen exceptionally. Chinese, in particular, have procured huge quantities of yarn from Pakistan, even though they are the fiercest competitor of Pakistan in the world market. Therefore, the increased demand of yarn export created problem of yarn availability in the local market. To stay in the market, industry is making distress efforts. Closure, low capacity utilization and losses are the norms of the day. Resultantly the production and export performance of Textile sector had shown a mixed trend.

Performance of Textile Industry

The prices of the raw cotton globally have increased and touched $2/Lb, the raw cotton prices as per KCA spot rate have varied from Rs. 7,116 /40 Kg minimum to Rs. 12,475 /40Kg maximum. Currently the prices range is of the Rs.10,500 to Rs.11,500, or around US$1.5/Lb. Based on the high cost of the cotton all the textile products have fetched higher unit prices and resultantly the export earnings of the textile products have increased from US$7,663.8 in 2009-10 to $9,956.5 million in 2010-11 implying an increase of 29.9 percent. Textile industry is a pre-dominantly export oriented industry and about 75-80 percent of total produce of cotton and synthetic textiles are exported in the form of yarn, fabric, readymade garments, bed wear and made

ups. Export performance of the industry is reported in Table-3.5.

The Pakistan Textile Industry has an inbuilt potential for performing better both in production as well as in exports by virtue of its inherent competitiveness in the international market for its conventional products. However, to sustain its position and to move in high value added products as well as for the increased market share, a large investment in machinery and BMR of existing and embracing new technology is critically important. Investment in awareness of virgin markets, training of labour force, improvement in labour productivity, marketing, product and brand development are the immediate areas to expand the export base.

Table-3.5: Export of Pakistan Textiles **(US$ Millions)**

	2007-08	2008-09	2010-11 (Jul-March)	2009-10 (Jul-March)	% Change
Cotton & Cotton Textiles	10071	9308	9,417	7,268	29.75
Synthetic textiles	490	319	443	291	52.30
Wool & Woolen Textiles	216	145	96	104	-7.70
Total Textiles	10777	9772	9956	7664	29.92
Total Exports	19224	17782	17799	14072	26.5
Textile as %age	**56%**	**55%**	**55.94%**	**54.46%**	

Source: Ministry of Textile

Textile industry invested substantially in BMR for improving production quality and for value addition. Import of textile machinery during 1999 – 2011(July-March) is given below:-

Table-3.6: Import of Textile Machinery **(US$ Million)**

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (Jul-Mar)
406.9	531.9	598.0	928.6	771.0	503.0	438.3	212.0	195.4	356.5

Source: Ministry of Textile

3.2.1 Ancillary Textile Industry:-

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 unorganized cottage /small & medium units. The performance of these various ancillary textile industries is evaluated below.

i. Cotton Spinning Sector

The spinning sector is the most important segment in the hierarchy of textile production. At present, it is comprised of 521 textile units (50 composite units and 471 spinning units) with 10.1 million spindles and 114 thousand rotors in operation with capacity utilization of 89 percent and 60 percent respectively, during July–March, 2010-11. The cotton spinning sector has performed slightly better than other sub-sectors. Besides market response – easing of raw materials through local supply and imports – diversification to blends and incentives granted under the support packages.

ii. Cloth Sector

The pattern of cloth production is different than spinning sector. There are three different sub-sectors in weaving viz, integrated, independent weaving units, and power loom units. There is substantial investment in the shuttle-less looms both in integrated and independent weaving sector. The power loom sector have modernized and registered a phenomenal growth over the last two decades. This sector is producing comparatively low value added grey cloth of mostly inferior quality. Problems of the power loom sector revolve mainly around the poor technology, scarcity of quality yarn and lack of

institutional financing for its development from unorganized sector to an organized one. The weaving capacity is largely distributed in the following three sub-sectors.

Table-3.7: Weaving Capacity

Sub-Sectors		Installed	Effective/ Worked
a)	Integrated Textile Mills	7,170	4,770
b)	Independent Weaving Units (Shuttle less looms)	28,500	28,100
c)	Power Looms Sector	400,670	332,870
	TOTAL	**395,999**	**331,749**

Source: Ministry of Textile

The problems of the power loom sector revolve around access to credit facilities, technology up-gradation and non-availability of skilled labour. The performance of cloth sector remained better than last year. The production of cotton cloth has recorded modest growth both in the mill and non-mill sector [Table-3.8]. The sector serves as downstream sectors like bed wear, made-ups & garments.

iii) **Textile Made-Up Sector**

This is the most dynamic segment of textile industry and major products include; towels, tents & canvas, cotton bags, bed-wear, hosiery & knitwear and readymade garments including fashion apparels. Export performance of made-up sector is given in Table-3.9.

a) Hosiery Industry

There are about 12,000 knitting machines spread all over the country and working on the capacity utilization of around 70 percent. Besides locally manufactured machinery, liberal import of machinery under different modes is also being made and the capacity based on exports is being developed. This sector has tremendous export potential in highly competitive world. Pakistan has exported 74 thousand dozens worth $ 1.29 billion as against 81.2 thousand dozens worth $1.31 billion, thereby showing decrease of 1.9 percent in value terms and 8 percent in quantity terms.

Table-3.8 : Production and Export Performance of the Cloth Sector

Production (M.Sq.Mtrs.)	July-Mar 2009-10	July-Mar 2010-11	% Change
Mill Sector	762.4	764.5	0.3
Non Mill Sector	5,886.4	5,971.6	1.5
Total	**6,648.8**	**6,736.1**	**1.3**
Cloth Exports			
Quantity (M.Sq Mtr.)	1,327.3	1,444.0	8.8
Value (M.US$)	1,313.1	1,746.3	33.0

Source: Ministry of Textile

b) Readymade Garment Industry

The garment industry provides highest value addition in the textile sector and it comprised of small, medium and large-scale units. Most of the units having 50 machines or below which implies strong concentration of the industry in informal sector. Given the upsurge in prices and additional demand for higher end products, additional capacity generation is forthcoming in the organized sector. The industry enjoys the facilities of duty free import of machinery and income tax exemption. During July-March 2010-11, readymade garments worth $1.3 billion were exported as compared to $0.9 billion in the comparable period of last year. Even in quantity terms the exports of readymade garments increased by 25.1 percent and helped by higher unit value prices, the exports grew by 37.8 percent in value terms.

c) Towel Industry

There are around 7500 towel looms in the country in both organized and unorganized sector, and industry is mostly catering for exports. The existing towels manufacturing factories are required to be geared up to produce higher value towels. During July-March 2010-11, exports in this sector stood at $580 million as against $495 million in the comparable period of last year, thereby showing an increase of 17.2 percent. Even quantity exported increased by 4.7 percent.

Table-3.9: Sector wise Export Performance of Made-ups

	2010-11 (July–March)	2009-10 (July-March)	% Change
Hosiery Knitwer			
Quantity (M.Doz)	100.5	78.3	28.22
Value (M.US$)	1726.1	1300.6	32.71
Readyment Garments			
Quantity (M.Doz)	25.5	20.3	25.12
Value (M.US$)	1276.7	926.8	37.75
Towels			
Quantity (M.Doz)	149.2	142.5	4.70
Value (M.US$)	580.4	495.0	17.25
Tents/Canvas			
Quantity (M.Doz)	9.2	16.2	-43.24
Value (M.US$)	29.3	47.9	-38.91
Bed Wears			
Quantity (M.Doz)	243.0	240.7	0.97
Value (M.US$)	1557.0	1273.2	22.28
Other Made up			
Value (M.US$)	508.8	391.1	30.09

Source: Ministry of Textile

d) Canvas

This is the highest raw cotton consuming sector. The production capacity is more than 100 million sq. meters. Around 60 percent production is destined to off-shore markets while 40 is available for domestic consumption, mostly by armed forces, and food department. Pakistan is the cheapest source of supply of tents and canvas. During July-March 2010-11, exports in this sector stood at $29.3 million as against $47.9 million in the comparable period of last year, thereby showing a decrease of 38.9 percent. Even quantity exported decreased by 43.2 percent.

iv) Synthetic Fiber

This sector has made progress in line with demand of the textile industry. Presently, there are five polyester fibre units with production capacity of 640,000 tons per annum. Viscose fibre is supported by import of Man Made fibre.

v) Filament Yarn Manufacturing Industry

The Synthetic filament yarn manufacturing industry has grown with leaps and bounds over the years. Following two kinds of filament yarn are manufactured locally:-

Table 3.10: Capacity of Synthetic Filament Yarn

Type of Yarn	No of Units	Production Capacity
1. Accetate Rayon Yarn	1	3000 (M.Tons)
2. Polyester Filament Yarn	21	105376 (M.Tons)
Total	**22**	**98000 (M.Tons)**

Source: Ministry of Textile

The polyester filament yarn manufacturing is currently facing challenge from cheaper imports from China. The local production filament fabrics is facing problem of competitiveness. The production of polyester filament yarn is around 60,000 tons. Reduction in duty on filament yarn to support synthetic weaving units is aggravating domestic production of filament yarn. Hosiery sector has started consuming synthetic yarn for export of knitted garments which are both value added as well as diversified products.

vi) Art Silk and Synthetic Weaving Industry

Art silk and synthetic weaving industry has developed on cottage based power looms units comprising of 08-10 looms spread all over the country. There are approximately 90,000 looms in

operation. Of this 30,000 looms are working on blended yarn and 60,000 looms on filament yarn. Besides, there are some mobile looms which become operational on market demand. Major concentration is in Karachi, Faisalabad, Gujranwala, Jalalpur Jattan as well as in the un-settled area (Bara–Sawat– Khyber Agency and Wazirstan).

Table-3.11: Capacity and Production of Synthetic Fabric

Period	Looms Installed	In Operation	Production (Mln. Sq. Mtr.)
2008-09	88,000	85,000	131,1550
2009-10	88,000	85,000	131,1550
2010-11	88,000	90,000	147,8571

Source: Ministry of Textile

vii. Woolen Industry

The main products manufactured by the woolen industry are woolen yarn, acrylic yarn, fabrics, shawls, blanket, and carpets. The exports of carpets and rugs decreased by 7.7 percent in value terms while increased by 9.7 percent in quantum terms, reflecting impact of fall in unit value.

viii. 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 table-3.12.

Table-3.12: Installed & Working Capacity

	(Jul–Mar) 2010-11	(Jul–Mar) 2009-10	% Change
Total No. of Units	10	10	
Spindles Installed	36076	36164	-0.243
Spindles Worked	27697	23215	19.31
Looms Installed	1851	1877	-1.39
Looms Worked	1129	951	18.72

Source: Ministry of Textile

The production of the Jute goods for the period of July – Mar. 2009-2010 and 2010-2011 is 98,753 and 66,686 metric ton respectively showing a decrease of 32.4 percent.

3.3 Other Industries

Pakistan during the last couple of years has made huge strides in other industries. Some of these are documented below:

3.3.1 Engineering Sector

Pakistan's Engineering Industry has a large potential to grow and contribute towards GDP and exports. However, the huge potential of export growth in engineering goods remains unutilized due to multiple reasons. There has been no specific focus on the development and promotion of Engineering Industry of Pakistan in the way as other traditional sectors have been promoted. In this regard, Engineering Development Board (EDB) has taken an initiative and developed National Engineering Export Development Strategy (NEEDS). The objectives of the NEEDS are:

- Identify and frame the challenges and issues confronting the engineering industry
- Identify sustainable solutions for competitiveness and exports.

Engineering Development Board (EDB) is working on different projects for promoting them at large scale of economy. About the budgetary proposal, EDB has constituted 15 sectoral committees comprising conveners and members from the private sector and coordinators from EDB to firm up tariff and tax recommendations. The committees include automotive, steel, refectories and ceramics, home appliance, surgical, electrical machinery, fans, pumps and motors, heavy engineering, consumer electronics, casting, farm plastic and mineral based product. The EDB is giving final touches to the new entrant auto policy which will consider investor-friendly measures to attract leading auto assemblers/manufacturers into potential market of Pakistan.

3.3.2 Automotive Industry

The growth in automobile industry across the world depends heavily on economic growth and availability of financing from financial institution at favourable terms. The sector recorded positive growth in cars, LCVs/Jeeps and two/three

wheelers during July-March-2010-11 as compared to same period of the preceding year whereas the Buses, trucks and tractors witnessed a decline in their production as compared to the previous year. (Table 3.13)

The persistent fall in local production of Trucks and Buses is mainly due to their falling demand as the imports have taken over. The industry has shown recovery in two/three wheelers with 13 % growth over previous year. There is some recovery in passenger cars and Light Commercial Vehicles (LCVs) and in comparison to the previous year production of passengers cars grew by 16.4%. Similarly, there is growth in LCVs by 20 % in comparison with the corresponding period last year. The production in the farm tractors is only fractionally down-by only 2.2 % compared with the corresponding period of the previous year.

Table:3.13: Production of Automotive Industries

Category	Installed Capacity	No. of Units Produced					
		2007-08	2008-09	2008-09 (Jul-Mar)	2009-10 (Jul-Mar)	2010-11 (Jul-Mar)	% age Change
Cars	275,000	164,710	84,308	63,273	86,613	100,870	16.4%
LCVs/Jeeps	40,000	22,944	17,092	14,366	12,294	14,821	20.5%
Buses	5,000	1,146	662	408	474	357	-24.7%
Trucks	28,500	4,993	3,135	2,169	2,521	2,031	-19.4%
Tractors	65,000	53,256	59,968	41,661	52,878	51,664	-2.2%
Two/Three Wheelers	1,800,000	660,593	509,054	348,119	534,994	602,268	12.6%

Source: Pakistan Automotive Manufacturers Association

The automotive sector has explored the export market, such as 7563 motorcycles and 64 auto rickshaws were exported in the last financial year. However, 9022 motorcycles and 72 auto rickshaws have been exported up to (July- March) 2010-11. The Car/LCV sector has also exported 359 vehicles & parts worth US $ 1.58 million in the last financial year and 397 vehicles and parts worth US $ 1.66 million in the current year up to (July-March) 2010-11.

3.3.3 Fertilizer Industries:

Fertilizer sector is the second largest consumer of gas after power sector. Due to lack of provision of gas fertilizer industry has witnessed the urea production short fall about 150 thousand tonnes in Kharif and 200 thousand tonnes in Rabi 2010-11 and compelled additional urea imports of 400 thousand tonnes during the Kharif, 2010 and 238 thousand tonnes in Rabi, 2010-11. But still the domestic fertilizer industry witnessed positive trend in production during the year under review. The production in nutrient terms increased from 3082 thousand tonnes during 2009-10 to 3143 thousand tonnes during 2010-11 showing an increase of 2.0 percent. Nitrogen production was 2708 thousand tonnes during 2010-11 and recorded an increase of 1.4 percent (86.2 percent share in total production), phosphate 424 thousand tonnes (13.5 percent share in total nutrient production), which increased by 5.2 percent. Potash blends production was 11 thousand tonnes and was high by 10.0 percent over previous year (0.3 percent share in total nutrient production).

Engro Chemical has installed a new urea plant with annual capacity of 1300 thousand tones, which will become operative in March, 2011 but is again closed on account of gas shortage and as soon as the gas supplies become smooth, it will start production. This will reduce the quantum of total fertilizer imports of the country, especially of nitrogenous (urea) one. Pakistan needs an addition of 100 -150 thousand tones per annum in the production capacity of Urea and DAP to meet its fertilizer requirements for crop sector up to 2025 and for this purpose an integrated large scale fertilizer complex (Urea, DAP, NPK) following a modular approach within an industrial park concept should be the main thrust of national

fertilizer strategy. To attract the investment in fertilizer sector, the government has extended the implementation of latest fertilizer policy of 2001 till 30th June, 2012.

3.3.4 Pakistan Steel

Pakistan Steel specialize in the production of flat steel products including, billets, slabs, hot rolled coils, cold rolled coils, galvanised sheets/coils/formed sections and corrugated sheets. Pakistan steel has started an indigenization programme to replace costly imported iron ore by locally available material and it is expected that 250,000 metric tons (MTN) iron ore (local) will be arranged for its utilization at Pakistan Steel this year which will be enhanced to 500,000 MTN within next three years. Pakistan Steel intends to enhance the production capacity upto 10,000 metric tone per month from each location after development of proper mine design.

Keeping in view the demand of steel in country and to enhance the existing capacity of the mills, government intends to increase the production capacity of Pakistan Steel from the present 1.1 million tons to 1.5 million ton in Phase-I and up to 3.0 million ton in Phase-II. Expression of Interest (EOIs) have been received from 10 international firms experienced in setting up of steel plants, which would be evaluated by a consultant to ensure transparency in the process.

3.3.5 Cement Industries

Presently the country exports cement to Afghanistan, India, Africa, and Middle East. Export of cement is exempted from the Sales Tax and Federal Excise Duty (FED). However, the domestic consumption is charged the Sales Tax at 17 percent and Federal Duty (FED) Rs. 700 per ton. Cement export and local demand since 2006-07 till 2010-11 (July-Dec) are given in Table-3.14.

Table-3.14: Cement Export of Pakistan

Year	Local market (Cement)	Export (Cement + Clinker)	Total	Capacity Utilization (%)
2006-07	21.0	3.2	24.2	75
2007-08	22.6	7.7	30.3	80
2008-09	19.4	10.7	30.1	76
2009-10	20.6	10.6	31.2	71
2010-11(Jul-Dec)	12.0	5.2	17.2	67

Source: Ministry of Industry & Production

The import of cement and coal used as fuel for the cement plants is allowed at zero percent customs duty and17 % sales tax. As per investment policy of the government, the import of plant machinery & equipment for manufacturing sector is allowed at 5 percent customs duty. However national average retail price of cement in the domestic market has shown gradual increasing trend since June 2010.

3.5: Privatisation Program

The privatisation process is aimed at selling government property in an open and transparent manner with a view to obtaining the best possible price. It varies somewhat depending on the nature of the asset being privatised, on the proportion of shares being offered for privatisation, and on whether a transfer of management is involved. The Board of the Privatisation Commission (PC) decides what kind of process will be followed. Approval of Council of Common Interests is also obtained.

Government policy of strengthening the private sector's role in the endowment of goods and services and with the approval of Cabinet, the Privatisation Commission (PC) is entrusted with the task of privatisation of federal government assets – such as its shares in banks, industrial units, public utilities, oil, gas and transport companies, and infrastructure service providers - in an open and transparent manner. In addition to the sale of shares or assets, it may offer concessions or the right to operate publicly owned assets.

The Benazir Employees Stock Option Scheme (BESOS), approved by the Cabinet for implementation, envisages free of cost transfer of 12 percent GOP shares in SOEs to the employees/workers establishment of Trusts with a seat in the Board of Directors of each SOE. The Trusts will receive dividend, out of which 50 percent will be used to pay buy-back claims of shares and 50 percent will distributed to the employees of SOEs. The government has so far registered Trusts in 59 SOEs and distributed unit certificates in 37 SOEs benefiting 95,100 employees/workers. An amount of Rs. 2.15 billion has been disbursed as dividend to 16,458 employees/workers of OGDCL, PPL, Mari Gas, PNSC, LCDL, NICL and NPCC whereas, Rs 1.1 billion have been paid on account of buyback claims against surrendered unit certificates of 211 employees of OGDCL, PPL and PNSC. It is expected that PC would be able to fully implement the Scheme in all 80 entities during the period of 2011-12.

3.6: Small & Medium Enterprise

SMEs are the backbone of economic growth of any developing economy. Due to their sheer numbers, size and nature of operations, this segment of the economy promotes endogenous sources of growth and strengthens the infrastructure for accelerated economic expansion and development. The potential of SMEs to promote domestic-led growth in new and existing industries and to strengthen the resilience of the economy in a competitive and challenging environment are inarguable. In Pakistan, the significant role of SMEs is clearly indicated by research and statistics.

According to more recent estimates, SMEs contribute 40 percent to GDP. The significance of their role in economic development is endorsed by the fact that, in 2009-10, a period during which real GDP of Pakistan grew by 3.8 percent, the small scale sector provided much support to overall growth pattern and grew by 7.5 percent. Hence, it is clear that in times of economic downturn, SMEs outperform large enterprises providing much support to overall economic growth.

During FY 2010-11, SMEDA worked on a series of demonstration projects/CFCs in major SME clusters, funded through Public Sector Development Programme to provide infrastructural support to SMEs. In the past year, a total of twenty eight (28) projects/Common Facility Centres in major SME clusters amounting to Rs.2.8 billion have been approved for implementation by SMEDA. These projects have been established keeping in view the specific needs of the SME clusters and are being implemented by SMEDA in collaboration with both the public and private sector stakeholders.

3.7: Mining and Quarrying

Pakistan has a widely varied geological frame work, ranging from pre-Cambrian to the present that includes a number of zones hosting several metallic minerals, industrial minerals, precious and semi precious stones. The mining and quarrying sector is estimated to grow by 0.4 percent in 2010-11 as against 2.2 percent last year. Natural gas, crude oil and dolomite posted positive growth rate of 1.9 percent, 1.1 percent and 5.9 percent, respectively during the current financial year.

However, most of minerals witnessed negative growth rate during the period under review, the growth of coal declined by 4.0 percent, followed by chromite 39.3 percent, magnesite 60.9 percent and barites 32.6 percent, respectively (see Table. 3.15).

3.8: Mineral Production Balochistan

Nature has bestowed the province of Balochistan with vast natural resources of economic significance. Some of these are explored and mined while some are still unexplored. Presently, 33 minerals are being mined by public/private sectors and produce minerals utilized in the country or exported to foreign countries. After implementation of National Mineral Policy, many National/Multi National companies have come forward and are being engaged in exploration of mineral wealth.

Prospects of Reko Diq copper and Gold Project can play vital role in the socio economic development of the Province. Pak Army is

funding 4200 children for being generate from Chamalang Coal Field getting education in different cadet schools in the country.

Table 3.15: Extraction of Principal Minerals

Minerals	Unit of Quantity	2008-09	2009-10	July-March		%Change
				2009-10	2010-11*	
Coal	Million tonnes	3.7	3.5	2.5	2.4	-4.0
Natural Gas	Mn.Cu.M	41.4	42	31.4	32.0	1.9
Crude Oil	Mn.Barrels	24.0	23.7	17.9	18.1	1.1
Chromite	000 Tonnes	89.7	257.1	181.9	110.4	-39.3
Dolomite	000 Tonnes	249.9	130.4	84.6	89.6	5.9
Gypsum	000 Tonnes	800.0	853.5	644.6	540.0	-16.2
Lime Stone	Million tones	33.1	37.1	27.2	23.9	-12.1
Magnesite	000 Tonnes	2.6	5.1	4.1	1.6	-60.9
Rock Salt	000 Tonnes	1917.0	1943.5	1347.1	1388.9	3.1
Sulphur	000 Tonnes	25.7	26.6	19.5	20.1	3.0
Barytes	000 Tonnes	63.0	57.1	49.3	33.2	-32.6

** : Provisional* *Source: Federal Bureau of Statistics*

Future Plans

1. To develop the Reko Diq Cooper Gold Prospects.
2. To develop & utilize the Indigenous Iron ore resources of Nokkundi and Dilband area.
3. To enhance revenue to the government exchequer and create job opportunities to the local people.
4. To explore the hidden resources through private/multinational investment.
5. To explore the Marble, Fluorite and other Minerals in the vicinity of Kassa Hill Marble Projects, District Loralai.

Table 3.16: Revenue recipients

S.No.	Year	Revenue Receipts(Million Rs)
1	2006-07	449.33
2	2007-08	577.11
3	2008-09	458.77
4	2009-10	624.39
5	2010-11 (up to December 2010)	1127.68

Source: Mines & Mineral development department Govt. of Balochistan

The mineral sector is undergoing substantial change and is a victim of security environment. The mining activity is done by foreign companies and foreigners are shying away from down country fields. This has impacted growth prospects of the economy. The mining sector offers huge potential once, the security environment is stabilized. Going forward we need to tap full potential of this sector.