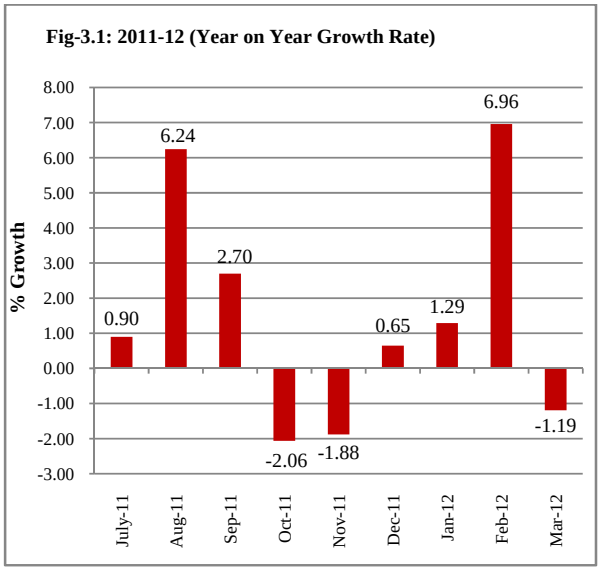
Chapter 3

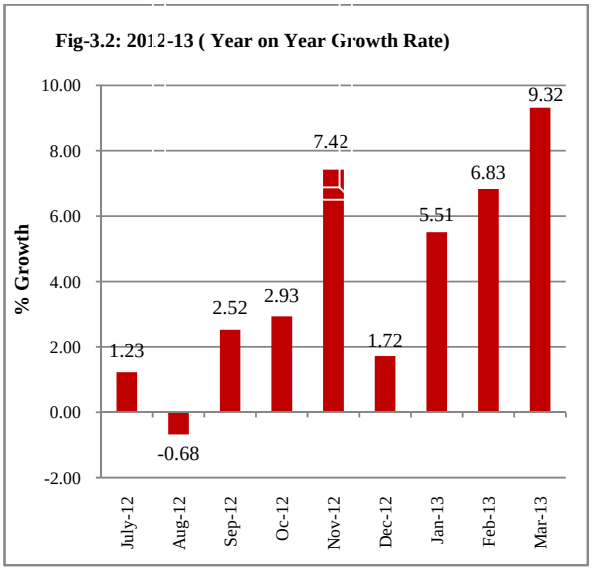
Manufacturing and Mining

3.1 Introduction

Manufacturing sector is considered to be the main source of economic growth having forward and backward linkages with the other sector of the economy. It accounts 13.2 percent of Gross Domestic Product (GDP) and 13.8 percent of total employed labor force. Large Scale Manufacturing (LSM) at 10.6 percent of GDP dominates the overall sector, accounting for 81 percent of the sectoral share followed by Small Scale Manufacturing, which accounts for 1.6 percent of total GDP. The third component of the sector is Slaughtering and account 0.9 percent of overall GDP. Mining and Quarrying having share of 3.1 percent in GDP.

Large Scale Manufacturing (LSM) during July-March 2012-13 registered a growth of 4.26 percent as compared to 1.49 percent in the comparable period of last year. The production data of Large Scale Manufacturing (LSM) received from the Oil Companies Advisory Committee (OCAC) comprising 11 items, Ministry of Industries and Production 36 items and Provincial Bureau of Statistics 65 items have contributed in LSM growth as 0.73 percent, 1.35 percent and 2.18 percent respectively. The industry specific data showed that many sub sectors performed well in the period under review such as paper & board grows at 21.97 percent, rubber products 17.61 percent, pharmaceuticals 16.35 percent, coke & petroleum products 13.31 percent, iron and steel products 13.24 percent, food beverages & tobacco 7.30 percent, non metallic mineral products 5.86 percent and textiles 0.92 percent. Some sectors mainly energy intensive recorded negative growths including engineering products 15.60, wood products 18.98 percent, percent, automobiles 11.84 percent, electronics 6.43 percent, fertilizers 5.03 percent, leather products 2.33 percent and chemicals 1.08 percent. The overall performance of LSM is satisfactory which can be well gauge year on year basis over corresponding period of last year.





The manufacturing output rebounded owing to better gas/power supply to the industrial units and supportive policies particularly to the revival of Pakistan Steel Mills (PSM). A restructuring plan for PSM has been approved by the Cabinet Committee on Restructuring (CCOR), under which its board has been reconstituted and a new CEO has been appointed. Immediate financial needs have been addressed and a bailout package of Rs. 14.6 billion has been granted to Pakistan Steel Mills (PSM) in FY 13. New business plan of PSM is focused on maximum utilization of capacity and a path of achieving breakeven point. Smooth availability of raw materials to PSM is being ensured to ensure future profitability.

The government is also making efforts to improve energy situation to boost industrial growth as the improvement in gas supplies to fertilizers industries helped to enhance their capacity utilization. In addition some industries like paper & board and steel production constraint eased out by investing in alternate energy arrangement i.e. coal and furnace oil. However, consumer durables continued to struggle with import competition as production of automobiles and electronics declined. Group wise growth and points contribution rate of LSM for the period of July-March 2011-12 versus July-March 2012-13 are given in the following table-3.1.

Table 3.1: Group wise growth and Point Contribution rate of LSM

S. #	Groups	Weights	% Change		% Point Contribution	
			July-March		July-March	
			2011-12	2012-13	2011-12	2012-13
1	Textile	20.91	0.77	0.92	0.16	0.19
2	Food, Beverages & Tobacco	12.37	7.41	7.30	0.92	0.90
3	Coke & Petroleum Products	5.51	-5.68	13.31	-0.31	0.73
4	Pharmaceuticals	3.62	10.35	16.35	0.37	0.59
5	Chemicals	1.72	-4.20	-1.08	-0.07	-0.02
6	Automobiles	4.61	-1.04	-11.84	-0.05	-0.55
7	Iron & Steel Products	5.39	-28.47	13.24	-1.53	0.71
8	Fertilizers	4.44	-0.42	-5.03	-0.02	-0.22
9	Electronics	1.96	-7.29	-6.43	-0.14	-0.13
10	Leather Products	0.86	2.27	-2.33	0.02	-0.02
11	Paper & Board	2.31	18.21	21.97	0.42	0.51
12	Engineering Products	0.40	-10.47	-15.60	-0.04	-0.06
13	Rubber Products	0.26	-24.61	17.61	-0.06	0.05
14	Non-Metallic Mineral Products	5.36	2.95	5.86	0.16	0.31
15	Wood Products	0.59	7.39	-18.98	0.04	-0.11

Source: Pakistan Bureau of Statistics (PBS)

In rubber products group, motor tyres and cycles tubes were the main contributors which managed to grow by 18.12 percent and 12.62 percent, respectively. The growth in iron & steel products was on account of growth recorded in H/CR sheets/strips/coils/plates 45.53 percent. Three steel plants were commissioned in Karachi during 2012 (One in H2-FY12 and two in H1-FY13) are joint ventures with Saudi Arabia, Japan and International Finance Corporation which also improved steel production in the country. In petroleum refining, higher margins improved the cash flows of local refineries and in addition partial resolution of the circular debt situation also enabled the firms to import more crude oil and increase capacity utilization. Petroleum products growth mainly arrived from the production of LPG 25.72 percent, motor sprits 21.90 percent and furnace oil 19.83 percent during the period under review.

In non metallic mineral product, cement managed to grow by 6.08 percent because of timely release of public sector development funds during the period amounting to Rs. 183.2 billion, which stimulated the construction activities.

The food, beverages & tobacco and textile group which accounts about half of the Large Scale Manufacturing (LSM) remained modest during the period under review. The items showed positive growth in food, beverages & tobacco includes soft drinks 15.58 percent, juices, syrups & squashes 14.05 percent, cooking oil 14.75 percent and tea blended 18.99 percent. Restaurant and fast food chains are flourishing in the country. The demand for dairy products, processed food and beverages has increased manifold thus brought a positive impact in food group. In textile groups, items registered positive growth includes cotton yarn 1.27 percent, cotton cloth 0.22 percent, knitting wool 14.89 percent and woolen & worsted cloth 2.20 percent.

The reason behind the negative growth of electronics is smuggling which can be easily gauged from the negative growth of TV sets 64.57 percent, air conditioners 19.85 percent, electric bulbs 6.22 percent and electric tubes 27.50 percent. In automobiles, tractor production registered a positive growth of 34.52 percent on account of reduction in GST. The other sub items of automobile sector such as buses, cars & jeeps and LCVs registered a negative growth of 8.88 percent, 22.93 percent and 30.28 percent respectively. The growth in cars &

jeeps suffered on account of amnesty scheme as well second hand imported cars. The growth prospect of this sector is not likely to ease out till the appetite of vehicles is saturated. Item wise review of production of selected items of Large Scale Manufacturing during July-March 2012-13 is given in table-3.2.

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

S#	Items	Unit	Weight	July-March		% Change (Jul-Mar) 2012-13	% Point Contribution (Jul-Mar) 2012-13
				2011-12	2012-13		
1	Deep Freezers	(Nos.)	0.162	36059	36482	1.17	0.00
2	Jeep & Cars	(Nos.)	2.818	110430	85109	-22.93	-0.65
3	Refrigerators	(Nos.)	0.239	745421	804965	7.99	0.02
4	Upper Leather	(000 sq.m.)	0.392	18155	17115	-5.73	-0.02
5	Cement	(000 tones)	5.299	21447	22751	6.08	0.32
6	Liquids/Syrups	(Million Liters)	1.136	69.922	90.445	29.35	0.33
7	Phosphatic fertilizer	(000 N tones)	0.400	359.344	407.715	13.46	0.05
8	Tablets	(Million Nos)	1.914	17557.769	18654.715	6.25	0.12
9	Cooking oil	(000 tones)	2.227	232.538	266.842	14.75	0.33
11	Nitrogenous fertilizer	(000 N tones)	4.041	1674.972	1552.494	-7.31	-0.30
12	Cotton Cloth	(Million sq.m.)	7.186	769.600	771.270	0.22	0.02
13	Vegetable Ghee	(000 tones)	1.144	813.175	844.990	3.91	0.04
14	Cotton Yarn	(000 tones)	12.965	2225.310	2253.510	1.27	0.16
15	Sugar	(000 tones)	3.545	4485.592	4621.873	3.04	0.11
16	Tea Blended	(000 tones)	0.382	58.815	69.982	18.99	0.07
17	Petroleum products	(Milion Liters)	5.410	8046.298	9129.984	13.47	0.73
18	Cigarettes	(Billion Nos.)	2.125	45.674	49.247	7.82	0.17
19	Coke	(000 tones)	0.104	138.616	148.112	6.85	0.01
20	Pig iron	(000 tones)	1.584	195.810	146.262	-25.30	-0.40

Source: Pakistan Bureau of Statistics (PBS)

Further, impressive production of major crops would support agro-based industries which would result in higher industrial production. Also increase in remittances (6.4 percent) during July-April 2012-13 along with income of rural class would enable people to buy durables which will encourage industrial sector. The pick up in private construction activities also depict in higher cement dispatches and import of iron and construction machinery that helped to spur overall manufacturing growth. All these positive factors may support to achieve the planned target but until and unless the energy situation may not improve up to required level the energy intensive industries will continue to suffer.

3.2 Textile Industry

Textiles 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, processing, made-ups and garments. The sector contributes nearly one-fourth of industrial value-added, provides employment to about 40 percent of industrial labour force, consumes more than 40 percent of banking credit to manufacturing sector and accounts for 8 percent of GDP. Barring seasonal and cyclical fluctuations, textile products have maintained an average share of about 60 percent in national exports. However, despite being the 4th largest producer and 3rd largest consumer of cotton globally, Pakistan's comparative advantage is largely pre-empted by low value added exports as reflected in country's 12th rank in world textiles exports.

Global overview

International Statistics reported that the export of textile and clothing has shown some signs of recovery after the global financial meltdown in 2009 and export of textile and clothing trade has increased from US $ 602.2 billion in 2010 to US$ 706.0 billion in 2011 showing an increase of 17 percent. The exports of Pakistani textile and clothing has also shown positive signs as it increased from US$ 11.8 billion in 2010 to US$ 13.7 billion in 2011 with the increase of about 16 percent. However, in 2010 China became the major exporter of textiles, pushing the European Union into second place has increased its exports of textile and clothing by 20 percent in 2011. The European Union and the United States are the major markets for clothing, accounting for 45

percent and 21 percent respectively, of world imports.

Table 3.3: Export of Textile and Clothing (US $ billions)

	2000	2004	2005	2006	2007	2008	2009	2010	2011
World Textile	157.3	195.5	202.7	220.4	240.4	250.2	209.9	250.7	294.0
World Clothing	197.7	260.6	276.8	309.1	345.8	361.9	315.1	351.5	412.0
Total:-	**355.0**	**456.1**	**479.5**	**529.5**	**586.2**	**612.1**	**525.0**	**602.2**	**706.0**
Pakistan Textile	4.5	6.1	7.0	7.5	7.4	7.2	6.5	7.8	9.1
Pakistan Clothing	2.1	3.0	3.6	3.9	3.9	3.9	3.4	3.9	4.6
Total	**6.6**	**9.1**	**10.6**	**11.4**	**11.3**	**11.1**	**9.9**	**11.7**	**13.7**
% Age of World Trade	1.86	1.99	2.22	2.15	1.93	1.81	1.88	1.94	1.94

Source: World Trade Organization (WTO)

Domestic Overview:

Domestically Pakistan is facing the problems of shortage of electricity, gas and the deteriorating law and order situation. The unscheduled/scheduled load shedding along with increasing rates of gas and electricity have obstructed the viability of the textile industry as the exporters were unable to meet their commitments. In addition our exports confined to raw materials to the global textile buyers and the same raw material comes back to the domestic market in form of finished value-added textile product. The capacity utilization in textile sector is only 60 percent. There are some positive initiatives like the announcement of duty waiver on 75 products by the EU from November15, 2012 which provided impetus to textile exports. Furthermore it is expected that if GSP plus status operational in 2014, the exporters would be able to boost the exports to EU particularly in textile. American buyers are also re-establishing links with Pakistan's textile and clothing manufacturers.

Industry sources attribute improved performance to uninterrupted provision of gas to the textile sector as yarn and fabric exports specifically benefitted from improved energy supply. The recent cut in policy rate would give a signal to market that the earlier cut in the discount rate in December, 2012 have been recognized amid a growth in overall LSM sector and particularly in textile sector.

Performance of Textile Industry

The textile industry of Pakistan has potential for performing better both in productions as well as in export 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 equipment and new technology is essential. The training of workers, improvement in labour productivity, research & development, product diversification and branding are the immediate areas for companies to focus. The export performance during the period under review is detailed below:

Table 3.4: Export of Pakistan Textiles (US$ Millions)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (July-Mar)
Cotton & Cotton Textiles	10390	10071	9308	9754	13147	11803	9352
Synthetic textiles	430	490	319	446	608	542	278
Wool & Woolen Textiles	233	216	145	137	132	121	88
Total Textiles	11053	10777	9772	10337	13887	12466	9718
Total Exports	17011	19224	17782	19290	24810	23641	18017
Textile as % age	65	56	55	54	56	53	54

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 discussed below.

(i) Cotton Spinning Sector

The spinning sector is the most important segment in the hierarchy of textile production. At present, as per record of Textile Commissioner Organization (TCO), it is comprised of 506 textile units (49 composite units and 457 spinning units) with 9.892 million spindles and 103 thousand rotors in operation with capacity utilization of 91 percent and 60 percent respectively, during July–March, 2012-13.

ii) Cloth Sector

The pattern of cloth production is different than spinning sector. There are three different sub-sectors in weaving i.e. integrated, independent weaving units, and power loom units. The power loom sector have modernized and registered a phenomenal growth over the last two decades. The growth of power loom sector is due to favorable government policies and more importantly the market forces. Production of cloth in mill sector is reported whereas the production in non-mills sector is estimated. The production of cloth had increased substantially thus served as the main strength for down stream sectors like bed wear made-ups & garments. The table given below showed production and export of clothing during the period under review.

Table 3.5 : Production and Export of Clothing Sector

Cloth Production	**July-Mar 2011-2012**	**July-Mar 2012-2013**	**% Change**
Mill Sector (M. Sq. Mtrs.)	770.509	771.270	0.10
Non Mill Sector (M. Sq. Mtrs.)	5975.850	6059.450	1.40
Total	**6746.359**	**6830.720**	**1.25**
Cloth Exports			
Quantity (M.Sq Mtr.)	1509.242	1438.938	-4.66
Value (M.US$)	1784.482	1991.237	11.59

Source: Ministry of Textile

(iii) Textile Made-up Sector

This is the most dynamic segment of textile industry. The major product groups are towels, tents & canvas, cotton bags, bed-wear, hosiery & knitwear & readymade garments including fashion apparels. The export performance of made-up sector during the period July-March 2012-13 is presented in table 3.6.

Table 3.6: Exports of Textile Made-Ups

	2011-2012 (July – Mar)	**2012-2013 (July-Mar)**	**% Change**
Hosiery Knitwear			
Quantity (000.Doz)	71.369	73.457	2.93
Value (M.US$)	1467.064	1508.781	2.84
Readymade Garments			
Quantity (000.Doz)	18.070	20.233	11.97
Value (M.US$)	1195.484	1318.263	10.27
Towels			
Quantity (M.Kgs)	101.687	126.138	24.05
Value (M.US$)	489.135	577.690	18.10
Tents/Canvas			
Quantity (000.Doz)	19.273	25.248	31.00
Value (M.US$)	64.868	84.904	30.89
Bed Wears			
Quantity (000.Doz)	184.003	195.764	6.39
Value (M.US$)	1311.121	1312.315	0.09

Table 3.6: Exports of Textile Made-Ups

	2011-2012 (July – Mar)	2012-2013 (July-Mar)	% Change
Other Made up			
Value (M.US$)	416.653	442.948	6.31

Source: Ministry of Textile

a) Hosiery Knitwear Industry

There are about 12,000 knitting machines spread all over the country and the capacity utilization is approx 70 percent. There is greater reliance on the development of this industry as there is substantial value addition in the form of knitwear. This sector has tremendous export potential however, the sector remained under pressure from its competitors. The export performance of knitwear during the period under review is given below in table.

Table 3.7: Export of Knitwear

	(July – Mar) 2011-2012	(July – Mar) 2012-2013	% Change
Quantity (000.Doz)	71.368	73.457	2.93
Value (M.US$)	1467.064	1508.781	2.84

Source: Ministry of Textile

b) Readymade Garment Industry

The garment industry provides highest value addition in textile sector and has tremendous export performance in the past. During July-March 2012-13, ready made garments worth $ 1.3 billion were exported as compared to $ 1.2 billion in comparable period of last year. Even in quantity terms the exports of readymade garment increased by 12 percent and helped by higher unit value prices, the export grew by 10.3 percent in value terms.

c) Towel Industry

There are about 7500 towel looms in the country in both organized and unorganized sector. The existing towels manufacturing factories have been up graded to produce higher value towels. During July-March, exports in this sector stood at $ 578 million as against $ 489 million in the comparable period of last year, thereby showing an increase of 18.1 percent. Even in quantity export increased by 24.1 percent.

d) Canvas

This is the highest raw cotton consuming sector and its production capacity is more than 100 million Sq. meters. This value-added sector has also great potential for export. The 60 percent of its production is exported while 40 percent is consumed locally by Armed Forces Food Department. Pakistan is the cheapest source of supply of tents and canvas. During July-March 2012-13, export in this sector stood at $ 84.9 million as against $ 64.9 million in the comparable period of last year, thereby showing an increase of 30.9 percent. Even quantity exported increase by 31 percent.

iv) Art Silk and Synthetic Weaving Industry

The art silk and synthetic weaving industry mostly confined in Karachi – Faisalabad, Gujranwala, Jalalpur Jattan as well as in the un-settled area (Bara – Sawat – Khyber Agency and Wazirstan). The export performance of this sector are very dismal during the period under review on account of electricity disruption.

Table 3.8 Export of Synthetic Textile Fabrics

	(July –Mar) 2011-2012	(July – Mar) 2012-2013	% Change
Quantity (M.Sq.Mtr)	283.064	198.031	-30.04
Value (M.US$)	372.008	277.796	-25.33

Source: Ministry of Textile

v) Woolen Industry

The main products manufactured by the woolen industry are woolen yarn, acrylic yarn, fabrics, shawls, blanket, and carpets. The exports of carpets during the period July to March 2011-12 and 2012-13 is as under.

Table 3.9: Export of Carpets and Rugs (Woolen)			
	(July – Mar) 2011-2012	(July – Mar) 2012-2013	% Change
Quantity (M.Sq.Mtr)	2.557	2.154	-15.76
Value (M.US$)	92.559	87.801	-5.14
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 as under.

Table 3.10: Installed & Working Capacity			
	(July-Mar) 2011-12	(July-Mar) 2012-13	% Change
Total No. of Units	10	10	-
Spindles Installed	36087	36172	0.24
Spindles Worked	24279	21836	-10.06
Looms Installed	1852	1856	0.22
Looms Worked	1021	940	-7.0
Source: Ministry of Textile			

The production of the Jute goods for the period of July – March. 2011-2012 and 2012-2013 is 74,023 and 70,359 metric ton respectively showing a decrease of 4.9 percent.

3.3 Other Industries

Although Pakistan's exports are mostly confined to cotton and textile products in the international market, there are other industries as well which progressed rapidly and also contributed to the manufacturing sector.

3.3-1 Engineering Sector

Engineering Development Board, mandated to strengthen country's engineering industry has served a large number of engineering industries, by resolving industrial problems related to policy formulation, business development, production, import of materials and their tariff etc. However, a critical area that needed EDB's attention was to address industrial technical problems and to foster much needed innovation in the products and the processes to enable industry to enhance its competitiveness. With a view to address the aforesaid issues on sustainable basis, Engineering Development Board (EDB) has launched an extensive Industrial Research Programme (IRP) with the collaboration of the Academia and the Higher Education Commission (HEC). The Program aims at resolving the industrial technical problems, product up-gradation and innovation, new designs and improved industrial process, improvement of production material, qualify certifications, productivity enhancement and overcoming the Technical Bariers to Trade (TBT) for enhancing global trade of Pakistan products. EDB also has found avenues to provide financial support to research projects having industrial impact under IRP Programme. The industry benefitting from this programme will also get industrial technical support (if desired) from international expert agencies. EDB has taken on board a team of 992 university Professors, Scientists, Technologists, Researchers (PhD and M. Phil) in 308 fields from universities across the country to address industrial products and production problems covering all products relating to engineering sectors, applied physics and applied chemistry etc.

In addition Engineering Development Board (EDB) has already started working on preparing new five year Auto Industry Plan (AIP) based on flexible investment policy for new investor with tax and tariff incentives which will provide ample opportunity for local auto industry to contribute in economic development of the country in future.

3.3-2 Automotive Industry

The growth in automobiles industry across the world depends heavily on economic growth and availability of financial institutions at favorable terms. The industry seems to be less optimistic in comparison with the corresponding period of last year 2011-12. The sector recorded positive growth in Jeeps 67.1 percent and Tractors 34.5 percent during July-March 2012-13 as compared to

corresponding period last year. Cars, LCVs, Buses, Trucks and two/three wheelers showing a negative growth of 23.2 percent, 30.2 percent, 8.8 percent, 27 percent and 0.3 percent respectively during the period under review. The table below shows comparative position at a glance.

Table 3.11 Production of Automotive Industry No of units produced

Category	Installed Capacity	2011-12 (July-March)	2012-13 (July-March)	% Change
Cars	240,000	110,059	84,489	-23.2%
LCVs	43,900	14,971	10,438	-30.2%
Jeeps	5,000	371	620	*67.1%
Buses	5,000	439	400	-8.8%
Trucks	28,500	1,893	1,380	-27%
Tractors	65,000	26,840	36,121	34.5%
Two/Three Wheelers	1,800,000	620,741	618,439	-0.3%

Source: Pakistan Automotive Manufacturer Association
*: A new product Toyota Fortuner was introduced in February 2013

Farm Tractors is intrinsically an upcoming sector because of its well-known comparative advantage. This sector presents a recovery from the impact of sales tax that was levied during 2011-12. The said levy of sale tax was later rationalized during 2012-13. After the imposition of reduced rate of sales tax its production has witnessed increased with a growth of 163.3 percent in July 2012 as compared to negative growth of 69.5 percent last year.

The fall in the production of locally produced cars during 2012-13 on account of persisting uncertainty followed by a major shift in the policy in order to favour the imports of used cars. The said policy change came into effect in December 2010 and the import of used cars grabbed as much as 36 percent market share of locally produced cars during 2011-12. Above all, the recent scheme put forth by the government to legalize the smuggled vehicles aggravated the gloom in more than 40 percent of the current market share. The prospects of growth in the industry are marred by the influx of used and smuggled vehicles in such numbers that almost equals one year's production of the industry.

The production of heavy commercial vehicles (HCVs) Buses and Trucks, was 4169 units, five years ago July-March 2007-08 and now the production figure is 1780 units July-March 2012-13 registering a steep fall by 57 percent. The heavy vehicle industry is struggling for life on account of influx of old and used vehicles besides there are cases of under invoicing and mis-declaration. Furthermore, the cost of locally produced HCVs suddenly increased due to imposition of 17 percent sales tax in 2011-12 which was major blow as the competition with vehicles under invoiced and/or entering by undue means greatly increased. In this scenario, the survival of heavy commercial production in the country is seriously threatened as since long it is sustaining only with 20 percent of installed capacity. The schemes by the government like revamping the urban transport and implementing the trucking policy would surely help to revive the industry. The passenger and goods transport currently in use would soon have to be replaced to move new environmental friendly (Euro II) vehicles.

The potential demand for vehicles in the economy maintains a worthwhile promise for the industry. However, the recovery in the industry would be a matter of consistency in policy by the government. The auto industry is presently not provided with any auto policy as the long term Auto-industry Development Program (2007-12) since expired on June 30th 2012.

3.3-3 Fertilizer Industry

The fertilizer industry being provider of one of the key inputs for crop production has significant role in the agricultural growth of the country. It has both forward and backward linkages in national economy. In Pakistan, there are nine urea manufacturing plants, one DAP, three NP, three SSP, two CAN and one plant of blended NPKs having a total production capacity of 8,965 thousand product tones per annum. This shows an enormous increase of about 2,140 thousand tonnes per annum (from 6,825 to 8,965 thousand tonnes per annum) in fertilizer production capacity for all products during the short span of 3 years. Despite this the actual production has not attained the desired level especially in case of urea fertilizer having more than 6200 thousand tonnes per annum of national demand but the actual production is much below than required level. The annual production of urea for 2012-13 is estimated as 4,063

thousand tonnes, which is less than by sixty five (65) percent of installed capacity of urea fertilizer. This situation has emerged only due to curtailment of natural gas to urea manufacturing plants thus compelling the country for spending huge foreign exchange on urea imports (about an estimate of 904 thousand tonnes for 2012-13). Thus to eliminate the difference between the domestic and international price the government has to pay subsidy. It is estimated that during 2012-13, subsidy of about Rs. 12.76 billion will be paid on urea import while foreign exchange loss for these imports will be around Rs. 34.11 billion (US $ 359 million).

Fertilizer sector is the second largest consumer of gas after the power sector and due to continuation of gas supply curtailment (20 percent on Sui Network plants and 12 percent on Mari Network) to fertilizer industry and during the winter season load shedding has been increased from normal 45 days to 60 days on all networks. It is worth mentioning that since June 2012, the fertilizer plants on Sui Northern Gas Pipeline Limited (SNGPL) are closed totally on account of gas shortages, however, the only fertilizer plant located at Sui Southern Gas Pipeline Limited (SSGPL) is operational at 20 percent curtailment while the plants located at Mari Gas System are manufacturing urea at 12 percent gas curtailment. This policy of gas supply is deteriorating the fertilizer industry of country which is resulting into low production, undue price hike, increase in imports and subsidy, depletion of foreign exchange reserves and erosion of investment. Smooth supplies of natural gas to urea plants are essential to run the plants at 100 percent of their installed capacity for making urea available as per requirement at stable/affordable price.

3.3-4 Cement Industry

Cement industry played a vital role in the manufacturing sector during the current fiscal year 2012-13.The industry were facing crucial time in 2010-11 due to heavy flood in 2010 however, in 2011-12 local cement retention prices going up leading to some price based support to local cement manufacturers. In 2012-13, the sector witnessed the continuation of high retention prices that helped cement companies to improve their margin. Pakistan is among top 20 leading producers and top 5 leading exporters of cement in the world. Pakistan cement is being exported to Afghanistan, South Africa, Iraq, India, Sri Lanka, Tanzania, Djibouti, Mozambique, Sudan and Kenya.

Table 3.12: Export of Cement and Clinker

	Cement			Clinker	
Financial Years	**Afghanistan Via Land**	**India Via Sea & Land**	**Other Countries Via Sea**	**Other Countries Via Sea**	**Total**
	Quantity in Metric Tons				
2009-2010	4,017,361	722,968	5,625,391	283,436	10,649,156
2010-2011	4,726,996	590,104	3,910,675	200,169	9,427,943
2011-2012	4,715,109	605,453	3,247,268	-	8,567,830
2012-2013 (July-April)	3,670,437	382,005	2,870,734	-	6,923,176

Source: All Pakistan Cement Manufacturer Association (APCMA)

There are 25 cement factories in Pakistan and on the basis of factories location, industry is bifurcated in two zones i.e. North & South. Capacity breakup is North Zone 85 percent and South Zone 15 percent. The annual cement production capacity is 44.77 million tons per annum. Performance of the cement industry during last four years as under:

Table 3.13: Performance of Cement Industry (Million. Tons)

July to June	**Cement Capacity**	**Local Despatches**	**Exports**	**Total Despatches**	**Capacity Utilization (%)**	**Surplus Capacity**
2009-10	45.47	23.57	10.65	34.22	75.25 %	11.25
2010-11	42.50	22.00	9.43	31.43	73.95 %	11.07
2011-12	44.77	23.95	8.57	32.51	72.63 %	12.25
2012-13 (July-April)	44.77	20.74	6.92	27.66	74.15 %	9.64

Source: All Pakistan Cement Manufacturer Association (APCMA)

Owing to improving cement prices this year, the outlook for most cement players has been positive one. Exports will continue to be challenge, though devaluation of the rupee and local manufacturers efforts to increase prices in Afghanistan will be of some help. Local cement dispatches are also expected to go up owing to an improvement in PSDP expenditures this year and due to election led boost in infrastructural spending.

3.5: Privatization Programme

Pakistan's privatisation programme was the most successful program in South Asia, Central Asia and the Middle East as it is successfully managed to complete approximately 167 privatisation transactions, generating revenue of over US $ 9 billion (Rs. 476.4 billion) since its creation.

The privatisation program entered into an extended lean period due to domestic and global challenges. Privatisation program could not be conducted in isolation and is highly dependent on both domestic and international regulatory, financial, political and business environment. Domestically poor law & order and security situation adversely affected investment climate in the county. The on-going Euro zone sovereign debt crisis affected flow of investment into the country.

Despite the challenges, it has been reinvigorated the privatisation program by focusing on a policy of "Privatisation for the People". Under this program a renewed focus is placed on domestic capital market listings.

The Privatisation Commission during the tenure of previous government (2008-13) initiated privatisation program which, inter alia includes "Strategic Sales" and "Capital Market" transactions. The Capital Market Roadmap was approved by the government for investment of Government of Pakistan (GOP) share in different entities. The Privatisation Commission would track the approved roadmap, however, it may be observed that domestic and international capital markets listings are ought to be carefully structured and phased in a manner that ensures best price and optimal gains from state owned assets. Presently, capital markets both domestic and global remain vulnerable as investor's confidence is yet subdued due to prolonged financial crisis. The timeframe of the approved domestic and international capital market transaction roadmap is being compromised. This coupled with continued delays in improvement in global financial markets condition and is likely that the roadmap for international listing will be delayed further.

The capital projects of strategic sales include privatisation of National Power Construction Corporation (NPCC), Heavy Electrical Complex (HEC) and Power Distribution Companies (DISCOs) whereas, entities like Pakistan Petroleum Limited (PPL), Oil and Gas Development Company Limited (OGDCL) beside few others were selected for local and international capital market transactions.

3.6: Small & Medium Enterprises Development Authority (SMEDA)

Small and Medium Enterprises Development Authority (SMEDA) is the apex organization for development of the SME sector. It has an all encompassing mandate towards fostering growth of SMEs along with a broad service portfolio spread across SME sectors, skills development through training, industry support for productivity enhancement, business development services and collaborative projects with international development partners.

SMEDA facilitates SMEs through a network of SMEDA Offices in the four provincial capitals and twenty one Regional Business Centres across the country. Results achieved by SMEDA during July-March, 2012-13 are as follows:

Table: 3.14: SMEDA performance

Indicators	Results
Growth in SMEs Facilitated by SMEDA	16,000 SMEs
Investment Mobilization	Rs. 4.01 Billion
Value Created Hands of SMEs	Rs. 3.46 Billion
Jobs Created by SMEDA	15,700 Jobs

Source: SMEDA

Other key activities undertaken during the period include 134 training programs and workshops where 5,025 individuals participated.

Lack of infrastructure and technology are major constraints which hinder SME productivity and competitiveness in the global market. To cope with

this challenge, SMEDA initiated efforts in infrastructural development program and technological up gradation under the Public Sector Development Program (PSDP). During July-March 2012-13, SMEDA continued and expanded its portfolio of PSDP projects. At present, it is managing as many as 29 projects with a total outlay of Rs. 2875.36 million, out of which 05 projects have been completed, whereas 07 projects are operational and providing services to SMEs. The remaining 14 projects with an outlay of Rs. 1629.70 million are at various stages of implementation, whereas 3 more projects have been approved and expected to be funded by the government.

SMEDA actively collaborate with international agencies such as Japan International Cooperation Agency (JICA), Gesellshaft Fur Internationale Zusammenarbeit (GIZ), and Senior Experts Services (SES) of Germany and Asian Productivity Organization (APO) and some of their efforts are:

Under "**Productivity and Efficiency Enhancement Program",** 57 industrial units have been the direct beneficiaries of this program during July-March 2012-13 which mainly focused in the areas of Energy Efficiency, Productivity Improvement, and Environment/Green Productivity. Major sectors facilitated under the Industry Support Programme of SMEDA are; textiles (spinning, weaving, processing, garments, sportswear & apparel), auto parts, electric fans and furniture.

The **"Economic Revitalization of Khyber Pakhtunkhwa and FATA (ERKF)"** is a multi-donor funded project led by the World Bank that aims at revitalization of flood affected remote areas of KPK and FATA. The total cost of the project is US$ 20 million. The project is divided in three components, namely i) SME Development, ii) Investment Mobilization, and iii) Capacity Building to foster investment and implement reforms. The SME Development component is being implemented by SMEDA. Financial facilitation and micro grants provided by SMEDA under the project during the July-March, 2012-13 was Rs. 192 million.

Under **"Pakhtunkhwa Hunarmand Rozgar Scheme"** loan facility is provided to stimulate business activity in flood affected region in the field of marble, gem stones, minerals, handicrafts, automobile repairing, plumbing, electric works, furniture, light engineering, garments, embroidery, hair dressing and beauty salons, information technology and other areas supporting economic stabilization in the affected regions. Loan amount distributed under the project for the July-March, 2012-13 was Rs. 242 million.

3.7: Mineral Sector

Pakistan has been endowed with huge mineral potential including precious metals, dimension stones, industrial minerals, rock salt and coals. It is also conscious of the unique characteristics of the mining industry like highly risk prone, capital intensive and subject to global competition with high volatility of prices. In addition the crude and wasteful method which damage deposits also incurred loses to the national exchequer. There has been very limited exploration by using modern managements, adequate capital and appropriate technical know-how. The Mining and Quarrying sector estimated to grow at 7.6 percent in 2012-13 as against 4.6 percent last year. Barytes, Dolomite, Calcite, Marble, Soap Stone, Bauxite, Crude Oil and Magnesite posted a positive growth rate of 435.9 percent, 126.3 percent, 117.7 percent, 83.9 percent, 63.6 percent, 62.0 percent, 15.8 percent and 9.3 percent, respectively. However some witnessed negative growth rate during the period under review such as the growth of Sulphur declined by 28.9 percent followed by Phosphate 16.1percent, Cooper 12.1 percent, Chromites 10.1 percent, Coal 3.1 percent and Natural Gas 2.1 percent respectively (Table 3.15).

Table 3.15: Extraction of Principal Minerals

Minerals	Unit of Quantity	2010-11	2011-12	2012-13	% Change
Coal	M.T	3,291,617	3,178,986	3,079,156	-3.1
Natural Gas	MMCFT	1,471,590	1,558,959	1,525,866	-2.1
Crude Oil	JSB(000)	24,041	24,573	28,462	15.8
Chromite	M.T	148,034	179,203	161,045	-10.1
Magnesite	M.T	4,908	5,444	5,949	9.3
Dolomite	M.T	240,111	198,392	449,034	126.3
Gypsum	M.T	885,368	1,260,021	1,297,020	2.9
Lime Stone	M.T	32,020,996	35,016,411	38,756,783	10.7
Rock Salt	M.T	1,953,711	2,135,760	2,104,986	-1.4
Sulphur	M.T	27,645	25,560	18,162	-28.9
Barytes	M.T	31,836	48,510	259,941	435.9

Table 3.15: Extraction of Principal Minerals

Minerals	Unit of Quantity	2010-11	2011-12	2012-13	% Change
Bauxite	M.T	9,033	30,223	48,958	62.0
Calcite	M.T	607	170	370	117.7
Soap Stone	M.T	47,561	55,515	90,817	63.6
Marble	M.T	1,132,900	1,750,578	3,219,834	83.9
Cooper	M.T	15,672	17,931	15,758	-12.1
Phosphate	M.T	30,950	69,400	58,204	-16.1

Source: Pakistan Bureau of Statistics (PBS)

During 2012-13 an area of about 3,900 Sq. km is planned to be mapped in different parts of the country and for the same purpose 300 samples collected and analyzed under geochemical surveying. Efforts have already been concentrated on exploration and evaluation of coalfields in Punjab, Sindh and Baluchistan.

The ongoing project namely Strengthening and Capacity Building of Mineral Wing, National Coal Policy , Review/Updation of Mineral Policy, Up Gradation/Strengthening of Geosciences Advance Research Laboratories and Accelerated Geological Mapping & Geochemical exploration of the out crop areas are under implementation. A new project title Petroleum house initiated with PSDP allocation of Rs. 200 million during 2012-13 whereas total allocation for all these ongoing projects are Rs. 268 million as compare to Rs. 50 million allocated during last year.

Most of mineral deposits are concentrated in Baluchistan and whatever minerals were produced its production has been affected by law and order situation, absence of necessary infrastructure and lack of technical capacity of mining. There is huge gap between the potential and actual production. There is need for the development of technologies for processing different indigenous ores to extract products of high commercial value that can play a dominant role in economic uplift, employment generation and exports.