PAKISTAN INDUSTRIAL GROWTH
**SUMMARY**

Industrial Sector is of great importance for economic development of every country. It is historical fact that countries with strong industrial sector have showed more economic growth and development.

Pakistan Industrial Sector is the second largest individual sector of the economy accounting for 25% of the GDP. This industrial sector comprised of large, medium and small-scale.

At the time of independence the total large scales industrial contribution was only 1.8 percent to GDP. The small-scale industries however, contributed 4.6 percent to GDP. Now from 2010-11 the large scale industries contributes 4.4 % to the real GDP growth rate while the small scale industries contributes 7.5 %.

It is evident that even after six decades our industrial sector did not play its role despite having the potential. Most of the current economic problems in Pakistan are ultimately linked to the slow pace of industrial development. Rapid industrialization is considered by the economic experts as the sovereign remedy to put our economy on a sound basis.

The report is segmented into the following sectors.

- Major industries in Pakistan and their performance since 1947.
- Share and growth rate of different sectors in national GDP.
- Pakistan industrial sector’s share in real GDP growth rate and growth trend from 2006-11 along with the rationales.
- Major impediments along with the recommendations.

The data collection followed both primary and secondary source. Primary source of data were the telephonic interviews. On the other hand secondary data were research articles, internet, economic survey of Pakistan, Federal Bureau of statistics and State bank of Pakistan.
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Compiled by: Sadaf Jaleel (R&D Officer)
PAKISTAN INDUSTRIAL SECTOR

1. HISTORICAL BACKGROUND

Pakistan at the time of partition in 1947 had a negligible industrial base. It got only 34 industries out of total 955, while remaining were held by India. Such a small number of industries were not enough for a newly born country to face the industrialized world. With the passage of time Pakistan utilized it’s all available resources domestic as well as external for rapid development of manufacturing sector.

1.1. GROWTH OF INDUSTRIAL SECTOR IN PAKISTAN

The industrial performance in terms of growth/productivity is examined in the following periods of time:


1.1.1. GROWTH OF INDUSTRIAL SECTOR FROM 1947 TO 1950

Out of 955 industrial units operating in the British India, Pakistan got only 34 industries i.e. 4% of the total industries established in the Subcontinent. The rest were located in India. The industries which came to the share of Pakistan were of a comparatively small size and were based on raw material. These industries included small sugar mills, cotton ginning factories, flour mills, rice husking mills and canning factories etc.

In 1947 it was suggested in the Industrial conference of Pakistan to establish industries, which use locally produced raw material like jute, cotton, hide and skins. The Government also set up an Industrial Finance Corporation and an Industrial Investment and Credit Corporation in 1948. In the period from 1947 to 1950, the private entrepreneurs invested in those industries which showed the highest profit. The contribution of industrial sector was 6.9% to GDP in 1950.

1.1.2. GROWTH OF INDUSTRIAL SECTOR IN 1950'S

In 1952 the Government took the initiative and established Pakistan Industrial Development Corporation (PIDC) to invest in those industries which require heavy initial investment. PIDC major investment was in paper and paper board, cement, fertilizer, jute mills and the Sui Karachi gas pipeline. PIDC by June, 1971 had completed 59 industrial units and created a base for self sustained growth in the industrial sector.

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A large number of new industries were established. The production capacity of the already existing units like fertilizers, jute and paper was considerably expanded. The reduction of export duties and the introduction of Export Bonus Scheme in 1958 increased export of the manufactured goods. There was all round development of industries particularly in agricultural processing food products and textiles. The share of industrial sector to GDP rose from 9.7% in 1954-55 to 11.9% in 1959-60.

1.1.3. PERFORMANCE OF INDUSTRIAL SECTOR IN 1960’S

In 1960’s there was a shift in the establishment of consumer goods industries to heavy industries such as machine tools, petro-chemical, electrical complex and iron and steel. The industrial performance in terms of growth, export and productivity increased during the Second Five Year Plan period. The share of industrial sector to GNP went up to 11.8% from 1960 to 1965.

The manufacturing sector could achieve a growth rate of 7.8% against the Plan target of 10%.

1.1.4. PERFORMANCE OF INDUSTRIAL SECTOR IN 1970’S

The industrial performance in terms of growth, exports and production was disappointing from 1971 to 1977. There were various reasons for the poor performance of the manufacturing sector.

One wing of the country (East Pakistan) was forcibly separated. The Country had to fight a war with India in 1970. The suspension of foreign aid, loss of indigenous market (East Pakistan), fall in exports, devaluation to the extent of 131% nationalization of industries labor unrest, unfavorable investment climate, floods, recession in world trade and reduction in investment incentives caused a fall in the output of large scale industries.

The annual growth rate fell to 2.8% in the industrial sector in this period.

From July, 1977 to 1980, the Government initiated a large number of measures to revise the economy. Cotton ginning rice husking and flour milling were denationalized. The private sector was encouraged to invest in large scale industries.

The annual growth rate in manufacturing sector was 8.2% in the 1989's. The growth of large scale manufacturing slowed down to an average of 4.7% in the first half and further to 2.5% in the 2nd half of the 1990's.
2. SECTORAL SHARE IN REAL GDP GROWTH RATE 2006-11

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>6.3</td>
<td>4.1</td>
<td>1.0</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Industry</td>
<td>4.1</td>
<td>8.8</td>
<td>1.4</td>
<td>-1.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Services</td>
<td>6.5</td>
<td>7.0</td>
<td>6.0</td>
<td>1.6</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: Federal Bureau of Statistics

2.1. SECTORAL SHARE IN GDP IN 2010-11

The agriculture sector comprising of farming, forestry, livestock, poultry and fisheries, contributes about 22 percent to the GDP, employs about 45 percent of the total work force and is the main source of livelihood for over 60 percent of the country’s population living in rural areas. It contributes substantially to the country’s exports, provides raw material to major industries such as textile, sugar, dairy, leather and other agro-based industries and as well as market for industrial products.

Industry is the second largest and an important sector of the economy accounting for 25 percent of the GDP. It comprises of large to middle scale manufacturing, mining & quarrying, construction, electricity & gas distribution.

In manufacturing, cotton yarn and cotton cloth is the leading sector, followed by food processing industries largely based on indigenous raw materials. Engineering sector in Pakistan is engaged in manufacturing cement and sugar plants, industrial boilers, chemical/petrochemical plant & equipment, construction equipment and power transmission towers, textile related engineering, automotive, etc.
The services sector is becoming an increasingly important dimension of Pakistan’s economy due to its major contribution of about 53 percent in the GDP. Wholesale & retail trade, transport & storage, communication, community & social services and personal services are leading service activities in Pakistan. Other services are finance and insurance, ownership of dwellings, public administration.

### 2.2. INDUSTRIAL SECTOR SHARE IN REAL GDP GROWTH RATE

![Bar chart showing industrial sector share in real GDP growth rate from 2003-04 to 2010-11.]

#### Source: Federal Bureau of Statistics

1. The share of industrial sector was 5.8% in GDP growth rate in 2003-04. However it increased to 13.1% in the year 2004-05.

#### REASONS

The main factors which contributed to rapid economic growth supporting were as follows;

- Monetary Policy
- Financial Discipline
- Consistency and Continuity of Development Policies
- Strengthening of Domestic Demand
- Continuously Improving Macroeconomic Environment
- A Stable Rate
- Global Expansion of Markets Due To Liberalization Of Trade In 2005

2. In 2005 the contribution of industrial sector in GDP growth rate was 9.9% which was decline to 4.1% in 2006

#### REASONS
The decline in manufacturing sector is due to multiple reasons like the reduced production of cotton crops, sugar shortage, steel and iron problems and global oil price.
3 From 2006 to 2007 there was an increase in the industrial sector contribution towards the GDP growth rate.

REASONS

- Major reasons for the growth in 2007 was production of sugar which was estimated at 61.5 Million Metric Ton (MMT), an increase of 12% over previous year due to increase in area under cultivation and yield.
- In 2007, the industrial sector grew by 14% and accounted for 27% of the gross domestic product (GDP) based on purchasing power parity.
- Foreign direct investment in mining and quarrying and oil and gas exploration increased by 34% and 74%, respectively, in 2007 compared with that of 2006.
- Textile exports in 1999 were $5.2 billion and rose to become $10.5 billion by 2007.
- In 2007 The Government of Pakistan has offered a number of incentives for encouraging the use of CNG in the country.

4 In 2008 and 2009 there was a drastic decline in the industrial sector contribution towards the GDP growth rate.

REASONS

- The industrial sector has recorded its weakest growth in a decade during fiscal year 2008-09.
- Main contributors towards this broad based decline were;
  - The impact of severe energy shortages.
  - Decline in domestic law and order situation.
  - Sharp depreciation in rupee vis-a-vis US dollar.
  - Weak external demand on the back of global recession coupled with slowdown in domestic demand.
  - The economic development has been slowed down in 2008 because of the large price increase of some commodities such as oil and food, global financial Crisis, and national political issues that affect the industrial growth.
  - The trade deficit, which was 3.7 in 2007 may widen further to about 17 percent in 2009 due to rise in domestic demand.
  - The increasing trend in inflation also affected consumers to curtail expenditure on durable goods.
  - The performance of steel mill was unsatisfactory during the current fiscal year. The production value slid down from Rs 11133 million in 2007-08 to Rs 9971 million in the current financial year, witnessing a decrease of 10.44 percent.
5. During the FY 2010-11, the domestic industrial sector recovered from the longest-ever decline (seen in the previous year) to record a decent growth of 4.9 percent.

**REASONS**

- The recovery came mainly due to supportive macroeconomic policies, relatively lower inflation, improved prospects of global economy, and relatively better credit availability.
- The growth in FY 2010-11 was the fourth highest growth rate in the decade, but was still below the 10-year average of 5.7 percent.
- The industrial growth during FY2010-11 is mainly from a rebound in manufacturing and construction sectors as government reversed some taxes imposed last year.
- The resultant price adjustments were immediately followed by the pick-up in domestic demand which coupled with available capacities, ensured positive growth rate in most sectors.

3. **INDUSTRIES IN PAKISTAN**

- Pakistan ranks forty-first in the world in factory output.
- Pakistan's industrial sector accounts for about 25% of GDP.

Following are the main industries of our country

- Textile Industry
- Sports Industry
- Sugar Industry
- Cement Industry
- Fertilizer Industry

Other major industries include:

- Automobile
- Leather products
- Paper & board
- Pharmaceuticals
- Chemical
- Engineering items
- Electronic
- Non-metallic minerals
- Petroleum products
- Food, beverages & tobacco
- Mining and Quarrying
- Services Sector
- Agriculture
- Live Stock
- Steel
- Electricity and Gas
The government is privatizing large-scale Government owned units, and the public sector accounts for a shrinking proportion of industrial output, while growth in overall industrial output (including the private sector) has accelerated. Government policies aim to diversify the country's industrial base and bolster export industries.

The Pakistan Major industries growth trends from 2006 to 2011 are as follows;

### 3.1. PAKISTAN MAJOR INDUSTRIES GROWTH TRENDS 2006-11

#### 3.1.1. AUTOMOBILE

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>6.2%</td>
<td>25.5%</td>
<td>-39%</td>
<td>31.6%</td>
<td>18.2%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

#### 3.1.2. LEATHER PRODUCTS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather products</td>
<td>2.9%</td>
<td>23.6%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan
3.1.3. PAPER & BOARD

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper &amp; board</td>
<td>2.7%</td>
<td>-5.5%</td>
<td>0.8%</td>
<td>-2.86%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

3.1.4. PHARMACEUTICALS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>5.9%</td>
<td>30.7%</td>
<td>0.9%</td>
<td>7.39%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan
### 3.1.5. CHEMICAL

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>5.9%</td>
<td>3.1%</td>
<td>3.8%</td>
<td>-0.21%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

### 3.1.6. ENGINEERING ITEMS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering items</td>
<td>21.5%</td>
<td>19.5%</td>
<td>0.8%</td>
<td>6%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan
### 3.1.7. TEXTILE

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile</td>
<td>8.4%</td>
<td>4.05%</td>
<td>-0.7%</td>
<td>-1.78%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

![Graph of Textile Industry Growth](image)

### 3.1.8. ELECTRONIC

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic</td>
<td>-4.6%</td>
<td>-31.3%</td>
<td>23%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

![Graph of Electronic Industry Growth](image)
3.1.9. NON-METALLIC MINERALS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-metallic minerals</td>
<td>21.7%</td>
<td>17.9%</td>
<td>4.8%</td>
<td>10.91%</td>
<td>-10.7%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

3.1.10. PETROLEUM PRODUCTS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum products</td>
<td>-2.3%</td>
<td>6%</td>
<td>-9.2%</td>
<td>-5.9%</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan
### 3.1.11. FERTILIZERS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizers</td>
<td>8.25%</td>
<td>-16.9%</td>
<td>21.5%</td>
<td>10.88%</td>
<td>-6.8%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

### 3.1.12. FOOD, BEVERAGES & TOBACCO

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, beverages &amp; tobacco</td>
<td>11.1%</td>
<td>-10.5%</td>
<td>-0.5%</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan
### 3.1.13. MINING AND QUARRYING

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and Quarrying</td>
<td>5.6%</td>
<td>4.9%</td>
<td>1.3%</td>
<td>-1.7%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

![Mineral and Quarrying Graph](image)

### 3.1.14. SERVICES SECTOR

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services Sector</td>
<td>8%</td>
<td>8.2%</td>
<td>7.3%</td>
<td>4.6%</td>
<td>53.3%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

![Services Sector Graph](image)
### 3.1.15. AGRICULTURE

#### MAJOR INDUSTRY

<table>
<thead>
<tr>
<th>Year</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5%</td>
<td>1.5%</td>
<td>4.7%</td>
<td>2%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

### 3.1.16. LIVE STOCK

#### MAJOR INDUSTRY

<table>
<thead>
<tr>
<th>Year</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live Stock</td>
<td>4.3%</td>
<td>3.8%</td>
<td>3.7%</td>
<td>4.1%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

Compiled by: Sadaf Jaleel (R&D Officer)
3.1.17. STEEL

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>-7.6%</td>
<td>-5.6%</td>
<td>-26.9%</td>
<td>-13.1%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

3.1.18. CEMENT

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>21.1%</td>
<td>17.9%</td>
<td>4.71%</td>
<td>11.21%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan
3.1.19. ELECTRICITY AND GAS

<table>
<thead>
<tr>
<th>MAJOR INDUSTRY</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity and Gas</td>
<td>-26.6%</td>
<td>4.7%</td>
<td>-23.6%</td>
<td>30.8%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan

SICK INDUSTRIAL UNITS IN PAKISTAN

A total number of 1579 industrial units have been closed down during the last five years as per ministry of industries and production.

- Break-up of closed units in all provinces and in EPZA is as under:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Punjab</td>
<td>115</td>
</tr>
<tr>
<td>2.</td>
<td>Sindh</td>
<td>700</td>
</tr>
<tr>
<td>3.</td>
<td>K P k</td>
<td>688</td>
</tr>
<tr>
<td>4.</td>
<td>Baluchistan</td>
<td>29</td>
</tr>
<tr>
<td>5.</td>
<td>EPZA</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1579</td>
</tr>
</tbody>
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3.2. POSITIVE GROWTH TRENDS IN INDUSTRIAL SECTORS IN 2010-11

Following industries show the positive growth trend in FY 2010-11.

Source: Economic Survey of Pakistan
3.3. NEGATIVE GROWTH TRENDS IN INDUSTRIAL SECTORS IN 2010-11

Following industries show the negative growth trend in FY 2010-11

Source: Economic Survey of Pakistan
3.5. CAUSES OF INDUSTRIAL BACKWARDNESS IN PAKISTAN

The causes of industrial backwardness in Pakistan are varied and complex. The Government of Pakistan since 1947 is trying to develop industries and infrastructure facilities for the growth of industrial sector, yet it has not achieved success to the desired extent. In the last over three decades the main obstacles which have slowed and retarded industrial development in Pakistan are as follows:

**POLITICAL INSTABILITY**

The first and the foremost cause of the backwardness of the industry has been the political instability which has led to instability of policies. Each successive government unveils its own policies and disposes of all policies of previous government after it takes over. In the wake of such negligence from government’s part, the industrial sector is suffering a great setback.

**LACK OF CAPITAL**

Furthermore the lack of capital is a major hurdle in attaining self-sufficiency in industrial sector. Every industry requires a large sum of capital to keep its wheel moving. But due to the lack of capital and loan facilities the progress of industry is lingering.

**LIMITED MARKET**

Limited market is also the major cause of industrial decline. Pakistan manufacturing sector have high costs, low labor productivity and inefficient production processes. There is a threat by the Chinese and Indian manufacturers to gain most of the market share. Owing to government’s indifference, our domestic markets have not expanded to an extent to accommodate the home-made goods.

**PEOPLES’ LIKING TO FOREIGN GOODS**

Moreover our peoples’ liking to foreign goods is also giving a severe blow to our industry.

**UNDER UTILIZATION OF LABORS’ POTENTIAL**

The proper utilization of the capabilities of the labor plays a very vital role in the progress of the industry. By fully utilizing labor capabilities the production can be improved and increased. But unfortunately, under utilization of labors’ potential on right place is causing a great loss and industry is lagging behind to compete with the world.
COMMUNICATION AND TRANSPORTATION

Communication plays a very important and vital role in industry’s progress. If communication is in disorder, industry fails to survive. Due to lack of transportation and absence of basic infrastructure like roads, water supply, sanitation and proper disposal of waste water and solid wastes, our industry is lagging behind. Lack of basic infrastructure along with the expensiveness of means of transportation and communication is also contributing to industrial failure.

TECHNICAL KNOW HOW

The significance of technical knowledge to industry cannot be negated. Industrial progress is dissatisfied in the absence of workers equipped with technological knowledge. The scarcity of such technically experienced labor force makes the journey towards industrialization challenging.

ENERGY CRISIS

Energy crisis is further a bolt from blue for our industry. Our country is starving in electricity, oil and gas which are the most essential requirements to run industry. In spite of having vast resources of gas, oil, coal etc. our country is unable to provide uninterrupted supply of fuel to industry which is creating havoc to this sector.

ECONOMIC RESTRICTIONS

Economic restrictions imposed by donor countries and lack of effective exploitation of the World Market are also contributing to our industry’s failure.

LACK MODERN TECHNOLOGY

To a large extent, all segments of the textile sector from cotton cultivation to manufacturing of garments lack modern technology.

APTMA has highlighted that the Pakistan textile industry faces tough competition from the Indian, Bangladeshi and Chinese textile industries through modern equipment and machinery. The inability to timely modernize the equipment and machinery has led to the decline of Pakistani textile competitiveness.

NEW COMPETITORS

Pakistan is facing new competitors (Bangladesh, Vietnam and Turkey) in industrial sector. Though we cannot avoid competition but we can always stay ahead of them by reforming our strategies and educating our entrepreneurs so as to move one step forward in every aspect.
LOW FOREIGN INVESTMENT

Low foreign and local investment is a matter of concern. Due to terrorism and security concerns in Pakistan the foreign investors are reluctant to invest in industries so that net foreign investment in Pakistani industries is only 0.5% of GDP.

Not only local businessmen but also foreign investors are not ready to set up new industries and make investments. They are reluctant to invest their time and money in the country which is lacking in basic infrastructure and where law and order situation is deteriorating day by day. All these things are acting as repellent for industrialists and in turn industrial development.

GRANTING MFN STATUS TO INDIA

Granting MFN status to India will negatively affect the domestic industry of Pakistan as the industry will have to face tough competition in the terms of price and quality. The imported finished products from India will be available at lesser price as compared to our domestically produced items. The major reason is our high cost of production which includes cost of energy, raw material, cost of capital and high wage rate as a result of inflation. However the better option can be the import raw material, modern technology and equipment for lowering the cost and quality of our own products and thus increasing the exports and becoming competitive in the local market as well.

HIGH INTEREST RATE

Bangladesh, India and China enjoy comparatively low interest rates than Pakistan. The interest rates in 2011 are as following, 8.5 to 9.0 per cent in Bangladesh, 5.25 per cent in India (market rate is 10.25 per cent, however exemption of 5 percent is provided to the textile industry) and 5.58 per cent in China. Meanwhile, in Pakistan, the interest rate is 13.25 percent. The high interest rates increase the cost of capital that is a discouraging factor for the business man and future entrepreneurs. This also de motivate the foreign direct investment.
RECOMMENDATIONS

Here are some suggestions to stabilize the industrial sector:

- Government must unveil a solid industrial policy keeping in view the global requirements.
- In order to increase the share of the industrial sector in the GDP there is dire need to establish new industrial estate in the country.
- To enhance the contribution of existing industrial estates in the economy they should be facilitated by the government policies.
- Industrialists be given loans on easy installments, so as they could run industries smoothly.
- New markets for the local products are explored and the quality of local products be improved to increase the demand abroad.
- A coherent plan should be devised by the Pakistani government that allows some sort of exemption/concession such as in India; the Export-Import Bank was set up for the purpose of financing and facilitating the industries, especially textile.
- New technical universities and institutions be established for the guidance of the labor and equip them with the modern techniques being used in the industry.
- Means of communication and basic infrastructure required for industry like roads, transportation etc. should improved and enhanced to make the access easy.
- New and emerging entrepreneurs must be encouraged to lead the industrial sector and make investments.
- The crisis of energy must be resolved on priority basis and interrupted supply of energy to industry be ensured.
- Law and order situation be improved to allure the investors to invest their money and time.
- More attentions should be given to increase export.
- Import substitution products are produced to encourage people to use local products.
- Realistic and up-to-date statistics is provided to this sector.