



# SECTOR BRIEF

## Engineering Products Industry in Pakistan

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### Historical Background

At the time of independence, the engineering industry in Pakistan was based on small workshops producing diesel engines, lathe machines, manual cane crushers, etc. in the vicinity of Lahore, in addition to a few small-scale manufacturing of surgical instruments in Sialkot, cutlery in Wazirabad and kitchen utensils in Gujranwala. The Moghalpura Railway Workshops were exclusively engaged in the production of railway machinery and stock.

**1950:** Batala Engineering Company (BECO) was established which was later renamed Pakistan Engineering Company Limited (PECO). It produced light engineering products. PECO is presently non-operative.

**1957:** Karachi Shipyard and Engineering Works (KSEW) was set up as a project of PIDC, to cater to shipbuilding, ship repair, and general heavy engineering.

**1968:** Pakistan Machine Tool Factory was established to manufacture precision and high-tech engineering goods.

**1971:** Heavy Mechanical Complex (HMC), Taxila was established to shift focus from the consumer goods industry to the capital and producer goods industry.

**1971:** Heavy Industries Taxila (HIT) was established to produce defense-related products and equipment

**1972:** Pakistan Aeronautical Complex Kamra was set up overhauling F-6 aircraft of the Pakistan Air Force.

**1973:** Pakistan Steel Mills (PSM) was established to produce long-rolled steel and heavy metal products

**1977:** Heavy Foundry and Forge (HFF) was established with Chinese assistance to produce heavy castings and forgings, to supplement the engineering industry for intermediary goods / raw materials.

**1990:** Heavy Foundry and Forge were merged with Heavy Mechanical Complex.

### Current status of the Industry

Both the heavy and light engineering Industry sectors in Pakistan have made significant progress since independence and today these are producing automotive vehicles, motorcycles & auto-rickshaws, auto parts, tractors, farm machinery & equipment, home appliances, iron and steel pipes and tubes, electrical machinery, and equipment, heavy sheet metal fabrications, industrial machineries such as sugar, cement, and chemical plants, textile-related engineering components, industrial boilers, forgings, and castings, electrical fittings, electric fans, pumps, wires, cables, surgical instruments, and many others.

The Engineering Good industry contributes around US\$ 10 billion to the national GDP and almost 4.8% to the total exports of Pakistan as well as provide employment to around 3 million people [Source: Pakistan Business Council]

As of 31st March 2021, the Market Capitalization of the Engineering Sector at the Pakistan Stock Exchange (PSX) was Rs. 154,576.63 million as against Rs. 72,695.88 million on 30th June 2020 [Source: Pakistan Economic Survey 2021]. The engineering sector was the third top sector [after Refinery and IT sector] that showed a growth of 112 percent.

### Exports of Engineering Products

The exports of engineering goods from Pakistan witnessed an increase of 16.95% during the first three-quarters of FY 2020-21 as compared to the corresponding period of last year. As per the Pakistan Bureau of Statistics (PBS), the export of engineering goods during July-March 2020-21 stood at \$164 million as against exports of \$140 million during the first three quarters of the fiscal year 2019-20. On a year-on-year basis, the engineering goods export increased by 5.96% in March 2021 as compared to the same month of last year. The exports during March 2021 were recorded at \$24.880 million against the imports of \$23.480 million in March 2020.

# SWOT Analysis of Engineering Goods Industry in Pakistan



## STRENGTHS

- Capital intensive industry
- Share in GDP is around US\$10 billion
- Share in Exports is almost 4.8 percent
- Employs 3 million people
- Saves around US\$18 billion in import substitution

## WEAKNESSES



- Mostly operating in the unorganized sector
- Lack of skilled workforce
- Absence of technology up-gradation
- Lack of investment from public and private sectors
- Lack of productivity
- High cost of input
- Lack of competitiveness



## OPPORTUNITIES

- Scope for market expansion- both local and global
- Scope for Investments in the light engineering sector
- Export potential to Gulf & ME and African countries
- Joint ventures with foreign technology partners

## THREATS



- Smuggling of engineering goods to border countries
- Import of engineering and capital goods due to low tariff
- High cost of logistics and infrastructure bottlenecks
- Lack of access to finance for small light engineering producers
- Only 6% to 7% share of engineering goods in total exports
- Lack of Govt. policy to manage the engineering sector
- Rising unemployment of engineers in Pakistan

