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Big industry contracts 3.6pc in FY19

ISLAMABAD: The large-scale manufacturing (LSM) sector shrank by 3.64 per cent in 2018-19 against the growth projection target of 8.1pc for the outgoing fiscal year, the Pakistan Bureau of Statistics (PBS) reported on Monday.

In June, the last month of the outgoing fiscal year, the big industry posted a negative growth of 5.05pc on a year-on-year basis.

The contraction came amid dismal performance in the food, beverages, petroleum products, pharmaceutical, non-metallic mineral products, automobiles and iron & steel sectors raising fears of big layoffs in the industrial sector.

Sector-wise, production data of 11 items from Oil Companies Advisory Committee registered a negative growth of 0.53pc, whereas 36 items received from the Ministry of Industries and Production and 65 items by Provincial Bureaus of Statistics shrank by 2.83pc and 0.28pc respectively.

The lacklustre performance in the industrial sector reflected overall economic slowdown as the GDP growth clocked in at 3.3pc against the projection of 6.2pc for 2018-19.

But officials believe that despite negative growth in LSM, the prospective growth in small and medium sized enterprises is expected to maintain the growth in the economy at the projected level. The PBS, however, did not mapping the trends in SME sector.

The LSM constitutes 80pc of manufacturing and 10.7pc of the overall GDP. In comparison, small-scale manufacturing accounts for just 1.8pc of GDP and 13.7pc in manufacturing.

According to Planning Commission, the LSM data reveals various factors which led to the slowdown including lower Public Sector Development Programme (PSDP) expenditures compared to last year, deceleration in the private sector construction activities and consumer spending on durable goods.

The impact was more noticeable in the construction-allied industries. The demand for housing moderated as the price of building materials and cost of financing increased. Certain sector-specific issues also contributed to the decline in LSM.

Automobile prices witnessed multiple upward revisions due to currency depreciation which kept potential buyers at bay. Certain restrictions on non-filers with respect to purchase of cars further dampened the demand in the auto sector.

On a year-on-year basis, the auto sector posted a negative growth in almost all variants except buses production.

The production of buses went up by 16.45pc year-on-year in FY19. Tractor production went down by 31pc, light commercial vehicles 15.84pc, trucks 34.31pc, jeeps and cars 6.21pc and motorcycles 12.93pc during the period under review.

Pharmaceutical sector also suffered due to a considerable lag in regulatory adjustments in prices. The pricing issue was in addition to weakening of the local currency, which added to the distress of an import-dependent sector. In the pharmaceutical sector the production of syrups declined by 6.97pc, capsules 31.24pc and 15.21pc in tablets respectively.

Similarly, lower sugarcane production and carry forward of last year’s inventories further dampened the prospects of the sugar industry. The sugar production dipped 19.89pc year-on-year in FY19.

In the non-metallic mineral products, cement production was slightly down by 2.98pc in FY19 whereas sugar production up by 10.27pc during the month of June 2019.

Decline in the chemical sector was mainly driven by a dip in the production of caustic soda production went down by 8.7pc, whereas production of paints and varnishes dipped by 2.69pc.

Moreover, production of vegetable ghee, and tea blended dipped by 2.81pc and 5.39pc, respectively. However, cooking oil production increased by 2.1pc in FY19 on a year-on-year basis.