

SECTOR BRIEF

CHEMICALS INDUSTRY IN PAKISTAN

By ICMA Research and Publications Department

The chemical industry is the fourth largest and the third fastest growing industry in the world, with a market of about \$4 trillion and over 70,000 products, and it contributes 7% to the global GDP. It is recognized as the 'mother of industries,' as it provides raw materials to almost all sectors, thus contributing to industrial development and self-reliance.

History of Chemical Industry in Pakistan

The chemical industry in Pakistan was nonexistent at the time of partition in 1947. Nevertheless, it has gradually developed since the early 1950s. In the 1950s, the Pakistan Industrial Development Council (PIDC) created the first chemical industrial estate at Mianwali (Punjab), which comprised Pak-American fertilizers, Pak dyes and chemicals, Maple Leaf Cement, etc. This industrial estate served as a nucleus for the development of the chemical industry in Pakistan.

Another chemical complex was set up in the private sector at Kala Shah Kaku near Lahore in the 1960s, with chemical factories also emerging in Karachi. But the industry saw a decline after the nationalization of factories in the early 1970s. Ever since then, the development of the domestic chemical manufacturing sector has been slow.

Current Status of Chemical Industry

At present, there are 27 chemical companies listed on the Pakistan Stock Exchange; the largest among them include Engro Chemicals, Fauji Fertilizers, Fatima Group, Pak-Arab



Fertilizers, Dawood Hercules, Clariant Pakistan, etc. These industries are converting basic raw materials into thousands of products, ranging from daily-use items like detergents and varnishes to fertilizers and life-saving drugs. The major part of the industry provides agricultural inputs, i.e., fertilizers and pesticides. Industrial chemicals are commonly used in pharmaceuticals, rubber, soap and detergent, cosmetics and toiletries, food and beverages, cement, fertilizer, ceramics, glass, sugar, pulp, and paper, iron and steel, oil and gas, leather and tanneries, coatings and inks, textiles, and engineering industries.

Chemical Imports by Pakistan

Pakistan is importing chemicals worth \$14 billion in a year, which is around 18% of the country's total imports and the second biggest after fuel imports. The main items imported are plastics, pharmaceuticals, and fertilizers. The primary reason for this dependency on imports is that the local chemical industry is unable to meet the domestic demand for chemicals due to a fragmented manufacturing base. For instance, there is no Cracker facility to produce basic petrochemical building blocks for the downstream chemicals industry.

Chemical Exports from Pakistan

The exports in 2020/21 were nominal at \$1.15 billion, mostly to Afghanistan, Bangladesh, the U.A.E., Vietnam, and Türkiye, constituting a meagre 4.54% of the total exports. The exportable chemical items include plastic materials, pharmaceutical products, and other industrial chemicals. Top exporters are ICI Pakistan, Nimir Industrial Chemicals, Engro Polymer & Chemicals, and Sitara Chemical Industries.





Analysis of Chemicals Industry in Pakistan



STRENGTHS

- Contributes 3% to national GDP
- Contributes 16% to manufacturing GDP
- Around 3% share in national exports
- More than 70,000 products for industry
- Strong forward linkages with other sectors
- Over 70% industrial chemicals used by LSM sector
- Abundant availability of Caustic soda
- Rs. 406 billion PSX Market capitalization (as on 31-3-2022)

WEAKNESSES



- Fragmented chemical manufacturing base
- Lack of economies of scales
- Low level of production
- Low value-added products
- Many units operating in the informal sector
- Lack of capacity and investment
- Heavy reliance on imports



OPPORTUNITIES

- Capacity expansion
- Product diversification
- Import substitution
- Export expansion
- Increasing local demand of chemicals

THREATS



- Environment issues due to chemical pollutants
- Highest energy-consuming and CO₂ sector
- Fluctuating exchange rate
- Rising cost of imports
- High level of competition

