

SALIENT OF CONSTRUCTION INDUSTRY OF PAKISTAN

PAKISTAN'S CONSTRUCTION INDUSTRY – A HOT CAKE FOR FOREIGN INVESTORS A PIVOTAL TO ECONOMIC DEVELOPMENT, CRUCIAL FOR PROVIDING SHELTER, EMPLOYMENT AND INFRASTRUCTURE CONSTRUCTION INDUSTRY EXPANDING AT A FAST PACE, CITIES ARE STRETCHING AND GIVING SPACE FOR INCUMBENT MIGRANTS

- 5 Million Low – Cot Houses to be constructed over next 5 years.
- Output of the Construction Sector has a significant share of 40-60% in gross fixed capital formation. More than 60 other associated industries form linkages with the construction and housing industry.
- There is a shortage of over two million homes in Pakistan, whereas the size of construction industry is over PKR 250 billion, thus the present Govt is incentivizing the sector to fill the housing gap and create jobs.
- The China-Pakistan Economic Corridor (CPEC) agreement and improvement in the country's security situation have been the key to giving boost to not only the construction industry, but Pakistan's image abroad.
- The construction industry in Pakistan witnessed 11.31% y/y growth in the current fiscal year.
- Pakistan's construction market contributed approximately 3% of the country's total GDP during FY 2017-18 and grew 9.1% in FY17.
- The Latest figures provided by the State Bank of Pakistan show that the construction industry received a net inflow of \$35.7 M (Foreign Direct Investment - FDI) in August 2017.
- BMI Research has also provided a healthy growth outlook for the sector, putting it at 11.8% annually from 2016-20 and 9.1% over 2016-25.
- GDP From Construction in Pakistan averaged 239361.33 PKR Million from 2006 until 2017, reaching an all time high of 320769 PKR Million in 2017.
- In the current fiscal year from July-August FY 18 the industry has received \$55.7 million, from foreign investors, relative to \$1.6 million in the same period of last year.
- Locally, investment has also been boosted by Govt policies such as reduction in duties and taxes on building materials like steel, construction machinery and equipment and computerisation of land ownership records.
- The representatives of builders and developers committed to the tax authorities that the industry would pay up to PKR 28 billion in income taxes under the new final tax regime, which was implemented in mid-2016.
- **Business Opportunities in Pakistan**
 - ✓ The local construction market has shown moderate growth in volume and FDI (Foreign Direct Investment) contribution of \$35.7 M in August 2017.
 - ✓ Both the public and private sectors have or will initiate small- to large-scale projects including high-rise commercial/residential building, small-to-large scale infrastructure projects, and real estate development
 - ✓ According to industry experts, the local market will continue to offer sizeable business opportunities to local and foreign companies for the foreseeable future.
- **Mega Construction Projects**

- ✓ Huge investments are pouring in from int'l investors from UAE, Singapore, Malaysia, China etc who have committed for US\$ 43 billion for two islands of Bin Qasim, US\$68 billion on a New City Project in Hawksbay, Karachi.
- ✓ Executing Mega Housing Projects in Lahore, Gwadar, Mangla & DHA Karachi and Islamabad.
- ✓ The New Home Financing Schemes by local and foreign leasing and financial institutions, through aggressive marketing, are playing an important role for the growth in this sector. A
- ✓ Numerous infrastructure development projects are in progress in the country that include a large number of flyovers, underpasses, highways, tunnels, dams, roads and industrial projects which have lead this industry to surpass its past status and glory.
- **Cement Industry of Pakistan**
 - ✓ The first quarter of the fiscal year 2017-2018 saw the most rapid expansion in the production capacity of cement.
 - ✓ According to statistics available at Kohat Cement, cement dispatches have seen an upward trend for the last five years, peaking in 2016 at 2.08 million metric tons for the fiscal year 2017.
 - ✓ The cement sector has witnessed an overall growth of 3.71% in terms of sales volume, whereas domestic consumption has increased by 8.03% in the same year.
 - ✓ Total dispatches of cement by January 2018 stood at 4.084 million tonnes, of which 3.737 million tonnes were consumed domestically.
 - ✓ The current capacity utilisation stands at 99.11%, which means that almost all of what is produced is being consumed locally.
- **Chemical industry**
 - ✓ Engro Polymer announced its plan earlier in January 2018 about an investment plan of PKR 10 billion for the expansion of production of PVC, a product for which Engro Polymer leads in production.
 - ✓ CPEC remains at the centre of much of the construction taking place in the economy, and there are plans for creating various petrochemical industries in the southern zone as well (Balochistan).
- **Steel industry**
 - ✓ International Steels Limited (ISL) has approved PKR 965 million for different projects that are expected to complete within this year.
 - ✓ Two units costing about PKR 675 million are expected to be set up in Karachi and Lahore.
- **Growth in Earthmoving and Construction Machinery Sector**
 - ✓ The construction machinery sub-sector holds an approximate market share of 47% of the overall construction market.
 - ✓ During FY 2017-18, this sub-sector, which has a market size of approximately \$2.6 billion, increased by approximately 4% compared to the previous Fiscal Year.
- **Real Estate and Housing Development Sectors**
 - ✓ During 2016 - 17, the Real Estate Sector grew approximately 6 % and is a total market size of approx \$3.1 billion.
 - ✓ With a population growth rate of 2.7 % per annum, the Housing Sector in Pakistan is becoming extremely attractive.
 - ✓ The demand for new single-family housing units is approximately 7 million per year and is consistently increasing at a rate of 1 million housing units per year.
 - ✓ It is expected that For 2018 to 2020, the housing construction market share will remain at an average of 35 – 40 % of the total market.
- **Construction Contractor Services**
 - ✓ The total market share of this sub-sector is approximately 20 %, which is expected to grow at least 5 % in the next five years.
 - ✓ The sub-sector has seen a rapid growth trend since 2012, which is attributable to the initiation of significant construction projects by the public and private sectors.

