Automotive Sector

Being one the fastest growing industry of Pakistan, Automotive Industry accounts for 4% of the Total GDP of Pakistan. The sector, as a whole, provides employment to 3.5 million people and plays a pivotal role in promoting the growth of the vendor industry. Currently Rs 92 billion (US $ 880 million) has been invested into this sector with an annual production capacity of about 1.8 million motorcycles and over 200,000 vehicles. Its contribution to the national exchequer is nearly Rs50 billion (US $ 480 million). The auto industry remains the second largest payer of indirect taxes after the petroleum industry in Pakistan. At present, there are 10 cars for every 1000 people in Pakistan. This is one of the lowest ratios among emerging economies, which itself speaks of high potential of growth. Rising per capita income with changing demographic distribution and an anticipated influx of 30 to 40 million young people in the economically active workforce in the next decade will provide a stimulus to the industry to expand and grow. At present, Honda, Toyota and Suzuki dominate the local auto market.

Production of Automotive Industry (No of units produced)

Category	Installed Capacity	2014-15 (July-Mar)	2015-16 (July-Mar)	% Change
Cars	240,000	105,267	137,067	30.2
LCVs	43,900	17,521	29,529	68.5
Jeeps	5,000	868	621	-28.4
Buses	5,000	410	746	82
Trucks	28,500	2,781	3,940	41.6
Farm Tractors	65,000	35,753	21,942	-38.6
Two/Three Wheelers	2,500,000	811,459	982,423	21

Source: Pakistan Economic Survey 2015-16

In 2016, Pakistan has passed the New "Auto Policy", which offers tax incentives to new automakers to establish manufacturing plants in the country thereby making it one of the friendliest markets in South Asia to establish a manufacturing concern. In response, Renault-Nissan, Kia Motors, Audi, Volkswagen and Hyundai have expressed interest in entering the Pakistani market.

A Glimpse of Automotive Development Policy (ADP) 2016-21

The Government of Pakistan has announced Automotive Development Policy (ADP) 2016-21 in March 2016. A Committee constituted by the Economic Coordination Committee of Cabinet has formulated the Automotive Development Policy (2016-21) which envisages development plans for the automobile industry in the country to facilitate higher volumes, attract investment, ensure

enhanced competition and offer higher quality in line with emerging opportunities within the country and in the region and to create a balance between industrial growth and tariffs to ensure sustainability for all stakeholders and attaching prime importance to consumer welfare. In addition, the policy provides consistency and predictability for new investors with a mid-term policy review mechanism to cater for emerging developments to achieve car production of over 350,000 by the year 2021. The salient features of the policy are:

i. Lower the entry threshold for New Investment;

ii. Create enabling tariff structure for development of the Automotive Sector;

iii. Rationalize automobile import policy;

iv. Provide regulatory and enforcement mechanisms for Quality, Safety and Environmental Standards;

v. Establishment of Pakistan Automotive Institute;

vi. Ensure Consumer Welfare through provision of quality, safety, choice and value for money;

vii. Other Interventions, and

viii. Reorganization of Auto Industry Development Committee (AIDC)

Goals

In consonance with the Vision of the ADP 2016-21, the following goals reflect future demand by recognizing the need to restructure and modernize the Auto Industry to meet the increasing demand for quality product in future:

To increase automotive production gradually by 2021 to:

Cars/Van/Jeeps:	350,000
Light Commercial Vehicles (LCVs):	79,000
Trucks:	12,000
Buses:	2,200
Tractors:	88,000
Motorcycles:	2.5 million

- To increase contribution to the Gross Domestic Product from 2.3 percent to 3.8 percent;
- To increase contribution to manufacturing from 22 percent to 30 percent, and
- To increase direct and indirect employment from 2.4 million presently to 4 million.