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ENHANCING COMPETITIVENESS IN PAKISTAN'S STEEL SECTOR: ADDRESSING KEY CHALLENGES AND POLICY GAPS

WORKING PAPER

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Enhancing Competitiveness in Pakistan's Steel Sector: Addressing Key Challenges and Policy Gaps

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Abbreviations

CAGR Compound Annual Growth Rate

CCI Council of Common Interest

CPEC China- Pakistan Economic Corridor

CRC Cold Rolled Coils

EU European Union

FATA Federally Administered Tribal Areas

FBR Federal Board of Revenue

FED Federal Excise Duty

FPCCI Federation of Pakistan Chamber of Commerce and Industry

HRC Hot Rolled Coils

IMF International Monetary Fund

ISL International Steels Limited

LCs Letters of Credit

LSMI Large Scale Manufacturing Industries

Mt Metric Tons

MTPA Metric Tons Per Annum

NMDs Non-Metered Districts

NTC National Tariff Commission

PACRA Pakistan Credit Rating Agency Limited

PALSP Pakistan Association of Large Steel Producers

PATA Provincially Administered Tribal Areas

PSM Pakistan Steel Mills

PSMC Pakistan Steels Mill Cooperation

SBP State Bank of Pakistan

SRO Statutory Regulatory Order

Abstract

This paper presents an in-depth study of steel industry in Pakistan, which plays a crucial role in the economic growth of the country by supporting construction, transportation, and manufacturing sectors. The scope comprises the historical background, the current situation of the industry, and comparisons on the international level. The main goals are to evaluate the sector's performance, highlight significant challenges, and suggest pragmatic policy solutions. The study used a mixed-method approach, incorporating empirical data analysis, literature review, and stakeholder engagements. The secondary data sources comprise the State Bank of Pakistan, World Steel Association, Pakistan Credit Rating Agency Limited, International Trade Centre and reports relevant to the industry. The study is further strengthened by unstructured interviews and public-private discussions.

The findings highlight challenges including limitations on imports, the existence of two separate tax systems, and financial constraints resulting from recent tax adjustments. Import limitations have resulted in shortages of raw materials, while financial constraints have led to an increase in the cost of production and decreased competitiveness. Considering these challenges, the steel industry remains to be a crucial component of Pakistan's economic structure, making significant contributions to the country's GDP and employment. The study emphasizes that addressing these difficulties necessitates a concerted effort from every stakeholder involved to implement effective policy measures.

The study's recommendations include streamlining tax rates through simplification and minimization to reduce financial constraints on the sector, extending tax adjustment periods to provide businesses additional time to respond, and strengthening regulatory frameworks to prevent tax evasion. Furthermore, it is crucial to create a thorough policy framework that focuses on reducing the cost of production and improving the sector's international competitiveness. Facilitating technological progress and encouraging investment in emerging technologies could improve efficiency and enhance the quality of production. Government policies that provide support are essential for creating an environment that is conducive for the growth and long-term viability of industries. By implementing targeted reforms and promoting collaboration, the steel sector has the potential to substantially strengthen Pakistan's economic resilience and accelerate industrial progress.

1. INTRODUCTION

Historical Background of the Steel Sector in Pakistan

After the independence in 1947, Pakistan had a minimal industrial base as most of the industrial infrastructure was left in India. For a progressive industry and economic development, the self-reliance on the iron and steel making plants is crucial to reduce the dependence on import causing high import bills. In the first five-year plan (1955-1960), the idea of domestic iron and steel mill was put forwarded. Under the Companies Act of 1913, Pakistan Steel Mills Corporation was set up in 1968 as a private limited company in the public sector. The main objective of Pakistan Steel Mills Corporation was to establish and run steel mills at Karachi and other places in Pakistan. At Karachi, a steel mill was established in January 1969 under the agreement between Pakistan steel and USSR. Followed by a techno-financial assistance integrated steel mill at Karachi for the construction of costal base, Port Muhammad Bin Qasim because of an agreement between Pakistan Government under the leadership of then Prime Minister Zulfiqar Ali Bhutto and USSR in January 1971. Development and expansion of the steel industry includes the laid of foundation of Pakistan Steels Mills by Former Prime Minister Zulfiqar Ali Bhutto in December 1973 and a lot of work has been done by the Pakistani construction companies under the supervision of Soviet experts1.

In January 1992, Sabeeh Qamaruz Zaman, then a serving lieutenant general, took over as chairman and implemented cost-cutting measures, significantly reducing expenses. By 1994, he had managed to run the mill at its highest ever production capacity of 95%, producing 1.04 million tonnes of steel. Pakistan Steel involved in extraordinary volume of work and expertise for the hosting the infrastructure facilities along with the construction of main production units. In January 1985, then President of Pakistan General Zia ul Haq formally launched the completion of steel mill.

Due to lack of commercial viability, Council of Common Interest (CCI) approved the privatization of the Mills but proceeds with a restructuring the financial and management system that ultimately leads to profitability in 2002. Moreover, a profit of 4.866 billion rupees was added by the mills after accumulation of all the losses2. Cabinet Committee on Privatization again decided to privatize the Pakistan Steels Mills with several parties expressing interest, but finalization of privatization delayed due to legal challenges.

Efforts to privatize Pakistan Steel Mills continued under Prime Minister Nawaz Sharif's government in 2013. Despite initial improvements in production capacity, issues such as disconnection of gas supply paused progress. The Government of Sindh expressed interest in acquiring the Mills but later withdrew due to insufficient financial incentives from the federal government. As of 2016, Mills continued to struggle with significant losses and liabilities, leading to ongoing discussions about its future and potential privatization3.

Furthermore, in 2020 to revive the operations of PSMC government plans to lease it out to a private association. This initiative by the government aims to restore the productivity of the mills by attracting private investment and expertise. China- Pakistan Economic Corridor (CPEC), a major infrastructure project increased the demand for steel due to increased infrastructure spending, the steel sector receive a boost while promoting the local manufacturers and providing opportunity for growth despite the ongoing challenges.

Global Landscape of The Steel Industry

1 For details see: http://www.paksteel.com.pk/organ_our_history.html
2 For details see: https://herald.dawn.com/news/1153574
3 For details see: https://herald.dawn.com/news/1153574

Global Steel production

Amid the economic challenges, the global steel industry is experiencing moderate growth. In 2023, steel demand grows by 1.8%, recovering from a 3.3% contraction in 2022. This trend is expected to continue with a 1.9% increase in 2024. However, regional performance varies significantly due to economic conditions, government policies, and sector-specific dynamics. Figure 1 shows the crude steel production mapping for the year 2022 based on the annual production in million tons. China is the top producer whose production rises from 1035.2Mt to 1018Mt during 2022 to 2021[4]. Despite of the challenges like falling property market, falling housing sales, financial difficulties in real estate, the Chinese Government measures to stabilize the economy result in slight growth in steel demand which is observed as 2.0% in 2023[5].

India ranked as 2nd largest producer of crude steel with 125.3Mt of total production in 2022, showing a strong growth driven by government infrastructure spending and automotive sector[6]. According to World Steel Association, growth expected in steel demand from 8.6% in 2023 to 7.7% in 2024. Japan comes as 3rd largest producer with annual production of 89.2 Mt a sluggish construction, moderate manufacturing growth with Steel demand in Japan expected to grow by 0.6% in 2024[7]. Regardless of resilience to interest hikes and residential construction contracts the United States the fourth largest producer of steel annual production reached 80.5Mt where the growth supported by infrastructure investments[8]. There was a moderate recovery in the production of crude steel shown from the fifth largest producer; Russia from 77 Mt in 2021 to 71.5Mt in 2022 hindered by hindered by economic sanctions and supply chain issues[9]. Developing economies including European Union and United Kingdom facing high energy costs and interest rates negatively impact manufacturing, particularly in Germany. Despite this, infrastructure investment remains stable. Moreover, the Steel demand is expected to contract by 5.1% in 2023 but grow by 5.8% in 2024[10].

4 For details see: https://worldsteel.org/wp-content/uploads/World-Steel-in-Figures-2023-4.pdf
5 For details see: https://worldsteel.org/media/press-releases/2023/worldsteel-short-range-outlook-october-2023/
6 For details see: https://worldsteel.org/wp-content/uploads/World-Steel-in-Figures-2023-4.pdf
7 For details see: https://worldsteel.org/wp-content/uploads/World-Steel-in-Figures-2023-4.pdf
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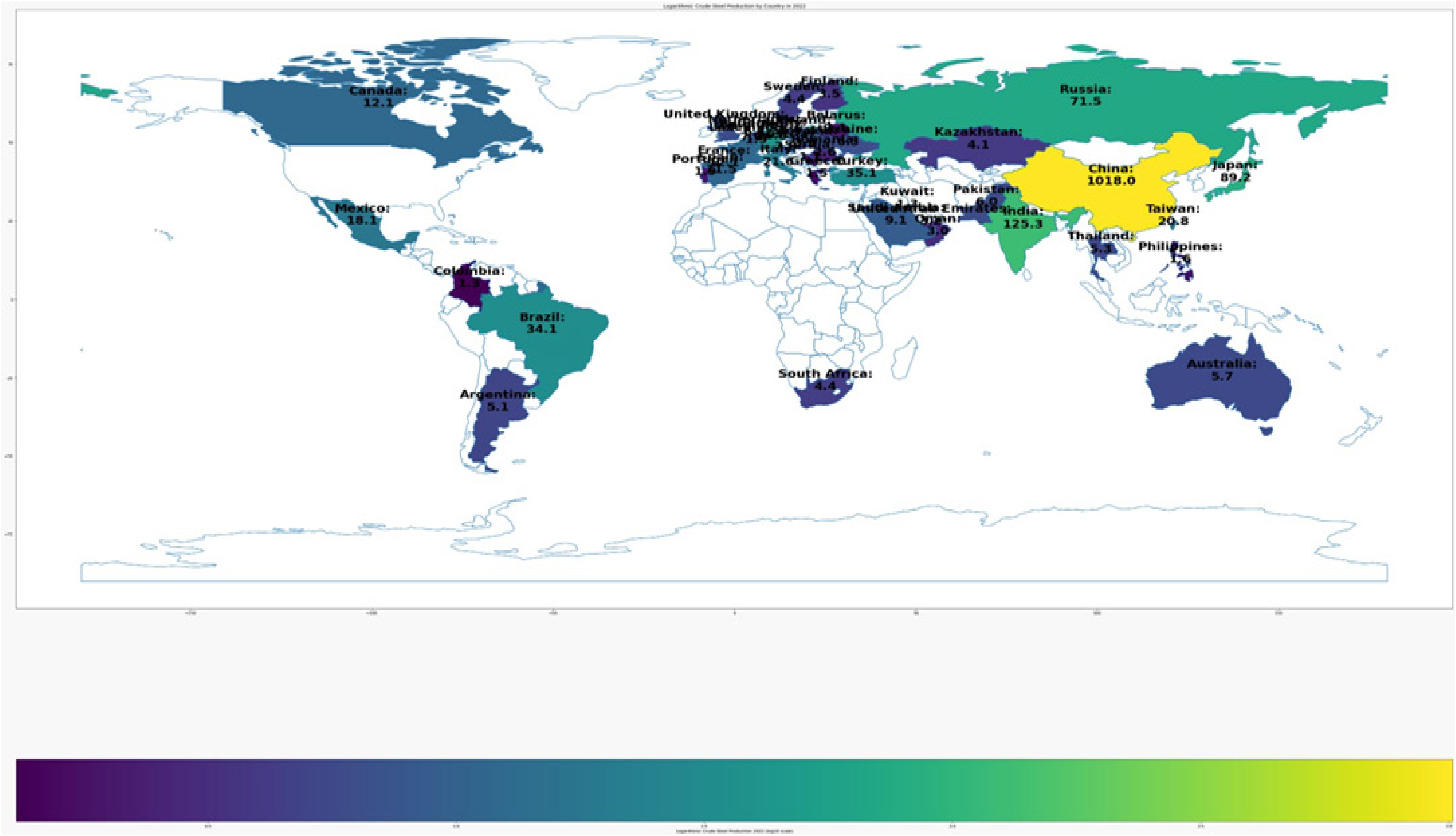
9 For details see: https://worldsteel.org/wp-content/uploads/World-Steel-in-Figures-2023-4.pdf
10 For details see: https://worldsteel.org/media/press-releases/2023/worldsteel-short-range-outlook-october-2023/

Figure 1:Global Crude Steel Production, 2022



Source: Based on the data from World Steel Association (See Appendix 1), Crude Steel Production in 2022 (In Million Tonnes)

Global Steel Trade Dynamics

The data in Figure 2 outlines the dynamics of the world steel trade, specifically focusing on exports in million tons, production in million tons, and the share of exports as a percentage of production over several decades.

Figure 2: World Steel Trade in Products, 1975 - 2022

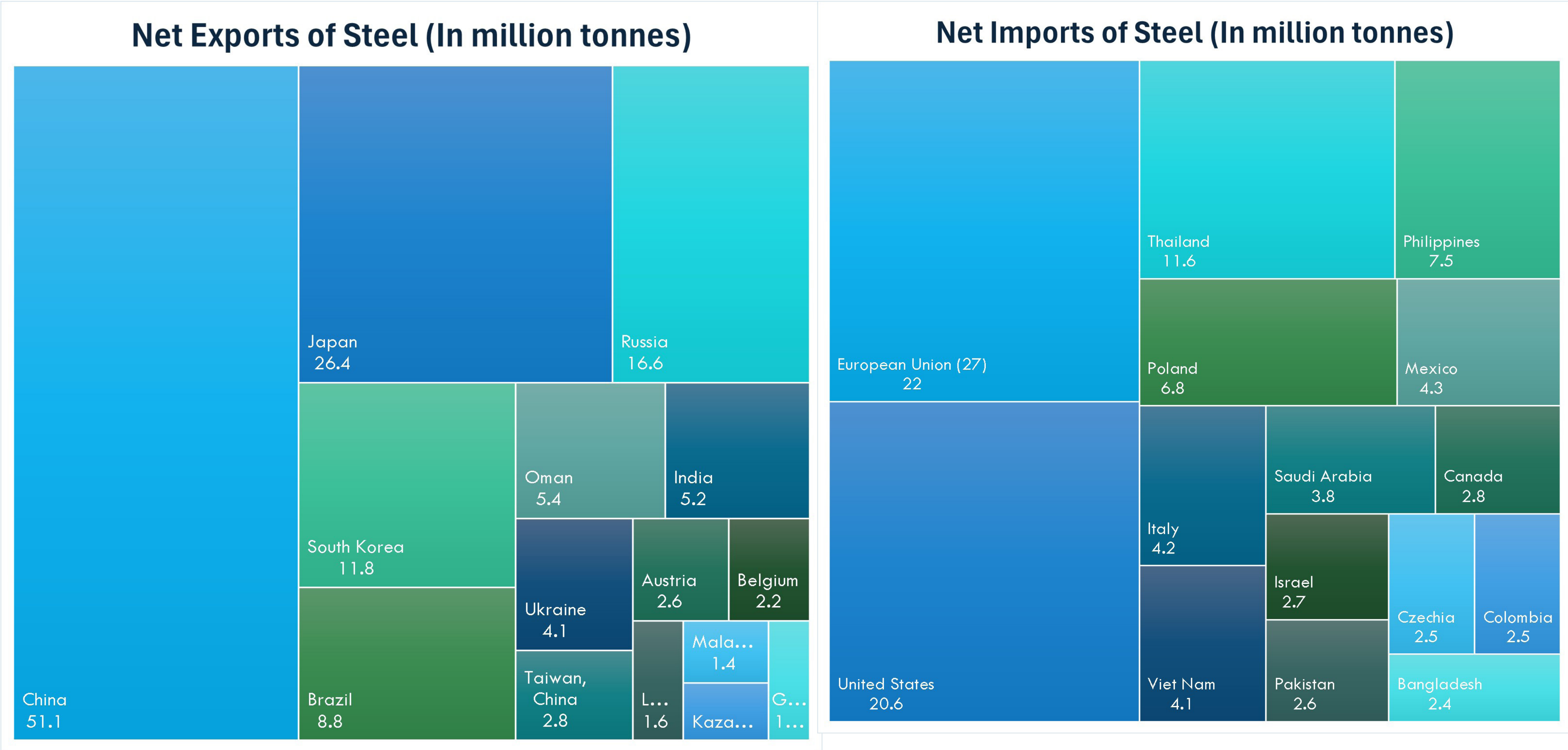
Source: Based on the data from World Steel Association

During 1975-1990, both exports and production of steel increased steadily. The share of exports as a percentage of production fluctuated between 22.6% and 29.8%, indicating a consistent portion of steel produced was being exported. However, from 1991to 2000 exports continued to rise, especially towards the concluding half of the decade, reaching over 39% of production by the year 2000. This indicates increased globalization and demand for steel products internationally.

While the exports fluctuated during 2001to 2010, influenced by global economic factors such as the dot-com bubble burst, the 2008 financial crisis, and subsequent recoveries. Despite the fluctuations, the share of exports generally remained around 28-31%. A period of revival starts from 2011 till 2022 as exports and production continued to rise, although the share of exports as a percentage of production remained relatively stable, fluctuating between 22.2% and 30.8% due to a steady global market for steel despite economic uncertainties. A slight decrease in exports and production compared to previous years from 2020-2022 due to various factors such as the COVID-19 pandemic, economic slowdowns, or shifts in global trade patterns.

It reflects the dynamic nature of the world steel trade, influenced by economic cycles, technological advancements, and shifts in global demand.

Figure 3: World Major Importers and Exporters of Steel 2022.



Source: Based on the data from World Steel Association

In 2022, China maintained its position as the leading exporter of steel, with a net export volume of 51.1 million metric tons (Mt). China's dominance in steel exports can be attributed to its vast industrial infrastructure, significant production capacity, and competitive pricing. Japan followed as the second-largest exporter, with a net export volume of 26.4 Mt, due to its advanced technological capabilities and established global market presence. Russia ranked third, with a net export volume of 16.6 Mt, gaining from its abundant natural resources and strategic geographical location.

On the other hand, the European Union (EU) emerged as the primary importer of steel, with a net import volume of 22 Mt. The robust manufacturing sector of the EU, together with its strict quality standards, obliges significant steel imports to meet domestic demand. The United States followed closely as the second-largest importer, with a net import volume of 20.6 Mt, driven by its diverse industrial base and infrastructural development projects. Thailand ranked third among importers, with a net import volume of 11.6 Mt, reflecting its growing construction and automotive industries. Remarkably, Pakistan appeared as a prominent importer, with a net import volume of 2.6 Mt, indicative of its expanding infrastructure and construction activities, stimulated by urbanization and economic development initiatives.

Importance of the Steel Industry in Economic Development

The steel sector rests as a foundation of economic vitality, encouraging employment opportunities and driving growth on a global scale. With an average world steel use per capita increasing from 150kg in 2001 to approximately 220kg in 2022, steel serves as an essential component driving prosperity across various industries11. Particularly, steel finds universal application in critical sectors such as energy, construction, automotive and transportation, infrastructure, packaging, and machinery. The construction sector relies heavily on steel, consuming over 50% of the global steel production and enabling iconic structures like skyscrapers. Beyond its structural competencies, the steel industry generate employment, providing over 6 million jobs globally and offering substantial training and skill development opportunities, with an average of 7.8 days of training per employee in 202212. Furthermore, the efforts of industry for a secure future, evidenced by an 82.3% decrease in the injury rate per million hours worked over the past 15 years, highlights its dedication to encouraging a secure and supportive work environment.

Moreover, the impact of steel industry extends beyond economic metrics, demonstrating its contributions to environmental sustainability. In 2019, the steel industry contributed $1,663 billion USD to society directly and indirectly, representing 98% of its revenue, while also leading initiatives to support local infrastructure and social services. Additionally, as the world transitions towards a green economy, steel emerges as a hub of sustainable development, showing 97.65% worldwide material efficiency rate in the recovery and use of steel industry co-products in 2022. Globally with the status as the most recycled material, around 680 Mt recycled in 2021, exemplifies an associated relationship between industrial progress and environmental sustainability. Through continuous innovation and collaboration, the steel industry remains effective against the evolving challenges and leads transformative solutions that exceed borders and shape the trajectory of global development.

11 For details see: https://worldsteel.org/about-steel/key messages/#:~:text=Steel%20is%20used%20in%20every,are%20made%20possible%20by%20steel.

12 For details see: https://worldsteel.org/about-steel/key-messages/#:~:text=Steel%20is%20used%20in%20every,are%20made%20possible%20by%20steel.

2. METHODOLOGY

This study includes a comprehensive analysis of steel sector of Pakistan, encompassing its background, global industry context, and its significance in economic development. It also addresses the current state, challenges, and provides policy recommendations for enhancing the sustainability and growth of steel industry of Pakistan. A multi method research design that combines empirical data and quantitative assessment was followed in the development of this study which is a mixed method approach. The initial step includes an extensive literature review of the international and national publications including journal papers, reports, and webpages on the steel sector and its practical models. The analyzed data was collected from various sources, including State Bank of Pakistan (SBP), World Steel Association, Pakistan Association of Large Steel Producers (PALSP), National Tariff Commission (NTC), Pakistan Credit Rating Agency Limited (PACRA), and VIS Credit Rating Company. Following this unstructured interviews and consultation meetings with stakeholders including PALSP, Amreli steels, experts and analysts in the steel sector were conducted to identify the current key challenges, critical issues, and policy gaps present at federal, provincial, and domestic level. In the final phase of this study, a Public Private Dialogue on "Taxation Policies in Pakistan's Steel Sector" was organized by the Sustainable Development Policy Institute (SDPI) in collaboration with the Pakistan Association of Large Steel Producers (PALSP). The aim of this dialogue was to identify the industry's challenges and formulate strategic recommendations for improving the tax regime. The PPD was attended by the representatives from Federal Board of Revenue, State Bank of Pakistan, National Tariff Commission, ICMA Pakistan, FPCCI, Pakistan Association of Large Steel Producers, Pakistan Steel Re-rolling Association, DAI- PREIA, Karachi Steel, Amreli Steel, Ittehad Steel and media representatives. Furthermore, the policy recommendations are formulated and validated on the basis of information and facts through extensive literature review, data analysis, public private dialogue, interviews and consultation meetings with the relevant stakeholders.

3. CURRENT STATE OF THE STEEL SECTOR

Overview of the Steel Sector in Pakistan

The steel sector plays a vital role in the growth and development of the industry in Pakistan with a large competitive market with approximately 173 entities registered under the Pakistan Steel Re-Rolling Mills Association. With 20 key players in the sector, 12 are listed on the Pakistan stock exchange. The sector is largely driven by private corporations, with Pakistan Steel Mills (PSM), a state-owned entity with a capacity of approximately 1.1 million tons, remaining disconnected since June 2015.The steel industry provides crucial inputs for industrial economic growth and development, playing a pivotal role in sectors including construction, transportation, machinery, metal products, energy and electrical equipment, and domestic appliances. Moreover, the construction project of the steel industry in Pakistan like CPEC, followed by infrastructure building and industrial development, validates the importance of the steel industry in the economic development of Pakistan.

Overview	FY20	FY21	FY22	FY23
Sector Valuation (PKR bln)	72	175	115	58
Sector Growth (Production)	-17.40%	15.60%	16.30%	-5.12%
Consumption (mln MT)	9.3	11.1	13.6	11.2
Imports (PKR bln)	482.9	609.6	930.1	738.7
Local Production (mln MT)	6.8	8.1	9.9	8.9
Imports (mln MT)	6.4	7.7	7.6	4.4
Exports (US$ M)	145.64	191.74	139.43	

Table 1:Local Industry Landscape of Pakistan

Source: The Pakistan Credit Rating Agency Limited, 2023

In FY2023, the annual demand for steel products in Pakistan was approximately 11.2 million metric tons (MT), with imports constituting around 39.2% of total consumption, marking a 42.1% year-over-year decline. This decline is largely accredited to import restrictions imposed by the State Bank of Pakistan (SBP) in FY23, aimed at controlling the depletion of foreign exchange reserves. Consequently, local production also declines from 9.9 million MT to 8.9 million MT due to raw material shortages, leading to increased local prices and reduced consumption amid high inflation and a slowdown in the construction sector. Steel products are broadly categorized into long products (such as billets and ingots) and flat products (including hot/cold rolled sheets, strips, coils, and plates). The major raw material for the steel industry is steel scrap, which Pakistan imports despite having indigenous iron ore reserves estimated at around 1,400 million MT. The iron ore production of the country remains below one million tons annually in FY2022 it was 0.7 million MT while in FY2023 reached 0.3 million MT. Additionally, Pakistan imports finished steel products to meet domestic demand also reduced to 4.4 million MT in FY2023 from 6.4 million MT in FY 2020.

Major Steel Trade Partners of Pakistan

The total export value of US$ 139.43 million experienced a decline with a CAGR of -6.03%, possibly influenced by global economic conditions or shifts in market demand. In contrast, total imports amount to US$ 4456.22 million, with a positive CAGR of 7.23%, reflecting sustained demand for imported goods and materials.

Table 2 provides insights into the trade patterns, highlighting robust growth opportunities in specific export markets like Australia and Qatar, alongside challenges such as declining exports to Afghanistan. It also highlights the significant role of China as a major import source and emerging opportunities from countries like Poland and Indonesia.

The UAE leads in exports with US$ 29.18 M (20.93% share) and a CAGR of 15.00%, indicating strong market demand. Australia follows with US$ 16.15 M (11.58% share) and a significant CAGR of 69.19%, suggesting emerging export opportunities. Canada ranks closely with US$ 13.13 M (9.42% share) and a CAGR of 35.19%, reflecting stable export relations. High-growth markets include Poland (CAGR 79.62%) and Qatar (CAGR 67.17%), while Afghanistan faces export declines (-24.66%).

China dominates imports with US$ 1346.68 M (30.22% share) and a CAGR of 10.27%, indicating reliance on Chinese goods. The UK follows with US$ 398.47 M (8.94% share) and a robust CAGR of 15.29%, driven by growing import volumes. The USA contributes US$ 368.78 M (8.28% share) with a steady CAGR of 8.15%. Emerging import sources include Poland (CAGR 19.48%) and Indonesia (CAGR 25.91%), while South Africa shows declining imports (-4.66%), likely influenced by economic factors or trade policies. Understanding these dynamics can facilitate strategic decision-making in trade policies, market expansion, and resource allocation.

Sr No.	Export destination	Exports (US$ M)	Share (%)	CAGR (%)	Sr No.	Import source	Imports (US$ M)	Share (%)	CAGR (%)
1	***UAE***	29.18	20.93	15.00	1	***China***	1346.68	30.22	10.27
2	***Australia***	16.15	11.58	69.19	2	***UK***	398.47	8.94	15.29
3	***Canada***	13.13	9.42	35.19	3	***USA***	368.78	8.28	8.15
4	***Afghanistan***	9.56	6.85	-24.66	4	***Japan***	358.40	8.04	4.40
5	***Qatar***	8.41	6.03	67.17	5	***UAE***	242.11	5.43	8.01
6	***USA***	7.50	5.38	-5.95	6	***South Korea***	119.14	2.67	1.11
7	***Thailand***	7.47	5.36	41.96	7	***Indonesia***	92.04	2.07	25.91
8	***Japan***	7.08	5.07	9.66	8	***Belgium***	69.85	1.57	3.89
9	***Poland***	6.18	4.43	79.62	9	***South Africa***	64.70	1.45	-4.66
10	***UK***	5.12	3.67	2.81	10	***Poland***	61.12	1.37	19.48
11	***World***	139.43	100.00	-6.03	11	***World***	4456.22	100.00	7.23

Table 2: Major Exports and Imports Destinations of Pakistan

Source: Based on ITC database

Recent Sector Performance Indicators

Despite the inflationary pressure and restrained domestic demand, the real economic activities against the contraction during H2 FY 2023 recovered moderately. Real GDP grew by 1.7% during H1 FY 2023 which was observed previously recorded as 1.6% while showing a contraction of 1.9% during H2 FY2023, exhibiting an improvement in the macroeconomic condition of the country. A similar trend is reflected in the industrial sector showing a revival in H1 FY2024 after the negative growth period observed in H2 FY2023. However, Large Scale Manufacturing Industries (LSMI) recorded a decline of 10.3% in FY2023(YoY) which represents manufacturing sector within the industrial sector13. While the steel sector comprises of 3.45% of the LSM shows a decline of 5.1% (YoY) during FY 202314.

13 For details see: https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Steel%20-%20Sep%2723_1693919766.pdf

14 For details see: https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Steel%20-%20Sep%2723_1693919766.pdf

Sectors	Growth (Percent)		Contribution	
	FY22	FY23	FY22	FY23
Iron & Steel Products	16.3	-5.1	0.7	-0.2

Table 3: Contribution of LSM (Iron & Steel Products Sector)

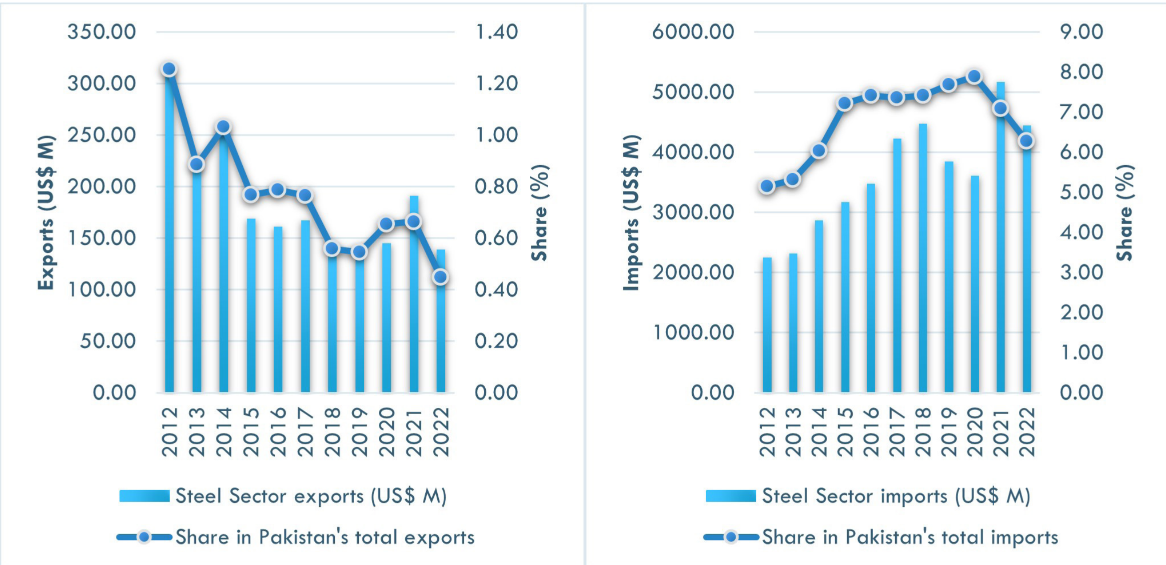
Source: Annual Report 2023, State Bank of Pakistan

The LSM output of Iron & steel products contracted by -0.2% during FY23, against 0.7% expansion in the previous year as depicted in Table 2. Also, the growth experiences a negative growth of 5.1% in the FY2023 as compared to last year showing an impressive growth of 16.3% due to decline in the production of long steel mainly utilized in construction and flat steel used in manufacturing of automobiles and home appliances.

Trade Dynamics of the steel industry

Sector WiseTrade Contribution of Steel Industry

Figure 4: Sector wise Trade of Steel Industry



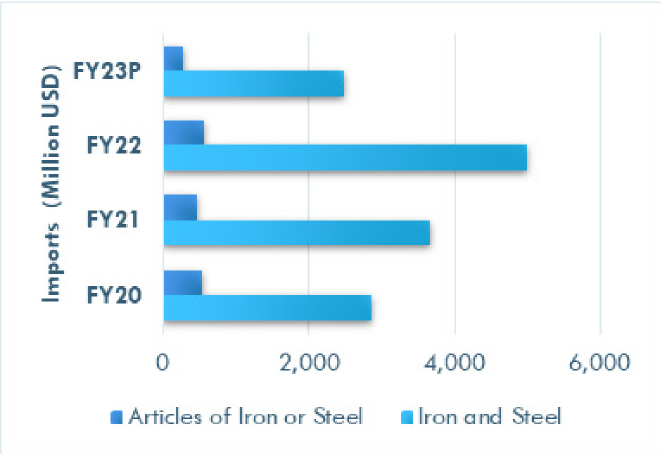
Source: Based on ITC database

In Figure 4, the data from 2012 to 2022 reveals significant trends and challenges in steel sector of Pakistan, depicted by fluctuating exports and increasing imports. Steel sector exports have shown a declining trend, from a peak of $309.15 million in 2012 to a low of $139.43 million in 2022, with the sector's share in Pakistan's total exports declining from 1.26% to 0.45% over the same period. This decrease suggests diminishing international competitiveness, potentially due to increased global competition, insufficient innovation, or adverse economic conditions affecting productivity and export capability. On the contrary, steel sector imports have generally risen, reaching a peak of $5175.71 million in 2021 before slightly decreasing to $4456.22 million in 2022, with the sector's share in total imports increasing from 5.15% in 2012 to 7.89% in 2020. This trend indicates a growing domestic demand unmet by local production, necessitating substantial foreign exchange expenditure and impacting the trade balance. The severe trade deficit in the steel sector, exemplified by the 2021 figures where imports were approximately 27 times higher than exports, underlines structural issues such as inadequate local manufacturing capacity and lack of correspondence in quality. To address these challenges, strategic investments in enhancing local production capabilities, policies to boost international competitiveness, and adopting innovation and efficiency in the production process are necessary. These measures are crucial for achieving sustainable growth and economic stability in steel sector of Pakistan.

Product wise trade of steel industry

In Figure 4, exports of iron and steel increased from USD 74 million in FY20 to USD 113 million in FY21, followed by a decline to USD 86 million in FY22 and further to USD 74 million in FY23P. Similarly, exports of articles of iron or steel increased from USD 36 million in FY20 to USD 79 million in FY22, before declining to USD 59 million in FY23P. These fluctuations reflect the volatility in global demand, pricing, and domestic production capabilities. The initial increase in exports indicates a period of external demand and competitive pricing.

Figure 5: Exports of Steel Industry

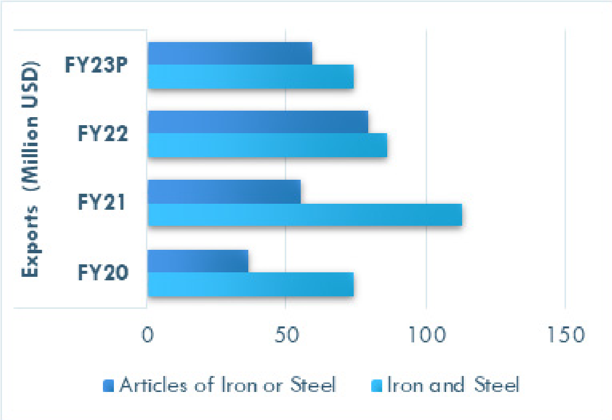


Source: Annual Report 2023, State Bank of Pakistan

However, the subsequent decline attributed to global economic slowdowns, trade barriers, or supply chain disruptions exacerbated by the COVID-19 pandemic and its aftermath.

On the import side, iron and steel imports surged from USD 2,861 million in FY20 to USD 5,004 million in FY22, before falling to USD 2,476 million in FY23P as shown in Figure 4. Imports of articles of iron or steel revealed a similar fluctuating pattern, reached USD 557 million in FY22, and then declines to USD 272 million in FY23P. A sharp rise in imports in FY22 suggests strong domestic demand driven by sectors such as construction and manufacturing. However, a decrease in FY23P imports is influenced by economic conditions, including the State Bank of Pakistan import restrictions aimed at preserving foreign exchange reserves amid a weakening currency and balance of payment issues.

Figure 6: Imports of Steel Industry



Source: Annual Report 2023, State Bank of Pakistan

The data reflects broader economic conditions, where high inflation, currency depreciation, and external account pressures require restrictive measures on imports. The declining exports in recent years indicate challenges in maintaining competitiveness and market share in international markets. These dynamics highlight the dire need for policy interventions to enhance local production capabilities, improve export competitiveness, and manage import dependence to stabilize the steel sector and economic growth.

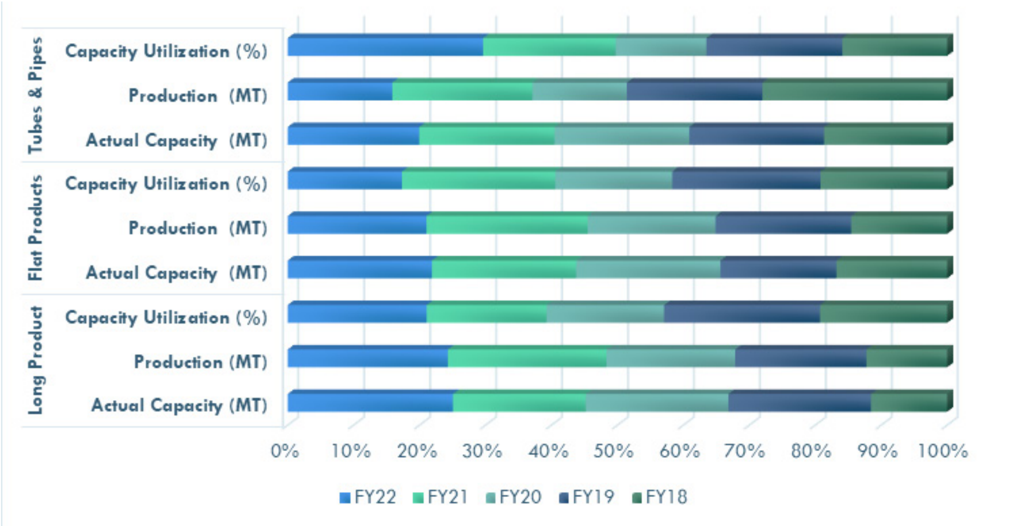
Assessment of overall Capacity Utilization of the Steel Industry in Pakistan

The supply side of steel sector reveals significant production capacities and utilization trends across various segments as shown in figure 7. In the long steel products segment, key players such as Amreli Steel, Mughal Steel, Agha Steel, and Crescent Steel & Allied Products dominate the market15. For long products, this decline was primarily due to an increase in actual capacity levels, while the flat products segment, which recorded no new capacity additions, experienced a production decrease of approximately 13.8% year-over-year. The tubes and pipes segment also faced reductions in both actual capacity and production levels.

In the long products category, actual capacity expanded from 1,438 thousand metric tons per annum (MTPA) in FY18 to 3,120 MTPA in FY22. Despite this increase, production grew at a slower pace, resulting in fluctuating capacity utilization rates, which peaked at 65% in FY21 but declined to 53% in FY22. The flat products segment maintained an even actual capacity of 2,192 MTPA from FY20 through FY22. However, production levels dropped from 1,326 thousand metric tons in FY21 to 1,143 thousand metric tons in FY22, reducing capacity utilization from 61% to 52%. Similarly, the tubes and pipes segment saw a decrease in actual capacity from 852 MTPA in FY20 to 832 MTPA in FY22. Production levels also fell, resulting in a significant drop in capacity utilization from 39% in FY21 to 30% in FY22.

15 https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Steel%20-%20Sep%2723_1693919766.pdf

Figure 7: Trends in Segments of Steel Products: Production, Actual Capacity (MTPA), and Capacity Utilization



Source: Based on the data from Pakistan Credit Rating Agency Limited, 2023

These trends indicate that the actual production did not meet the actual demand while there has been an increase in the installed capacity for long products, leading to lower capacity utilization. On the other hand, the flat products segment faced challenges in sustaining production levels without new capacity additions, and the tubes and pipes segment struggled with both reduced capacity and production, reflecting broader challenges within the industry.

Impact of Revised Sales Tax Valuation on Steel Products

A Comparative Analysis of S.R.O. 501(1)/2023 compared to SRO 489(I)/2022

The Federal Board of Revenue issued SRO 501 of 2023 on April 20, 2023, based on the proviso to clause (46) of section 2 of the Sales Tax Act, 1990. SRO 501 of 2023 supersedes SRO 489(I)/2022, showing a consistent regulatory continuity.

SRO 501 of 2023 introduces significant revisions to the minimum values for various steel products for the sake of sales tax assessment. These revisions result in substantial increases in comparison with the values specified in SRO 489(I)/2022.

Goods	SRO 501 of 2023 (Rs. per Metric Ton)	SRO 489(I)/2022 (Rs. per Metric Ton)	Difference (Rs.)
Steel bars and other long profiles	225,000	164,037	**+60,963**
Steel billets	195,000	133,813	**+61,187**
Steel ingots/bala	180,000	126,000	**+54,000**
Ship plates	172,000	129,584	**+42,416**
Other re-rollable iron and steel scrap	160,880	125,688	**+35,192**
Re-meltable iron and steel scrap (72.04)	155,000	Not specified	-

Table 4: Comparison of SRO 501(1)/2023 and SRO 489(I)/2022

Source: Federal Board of Revenue 2024

The comparison table displays significant changes in the price of various steel products under the effect of SROs 501. According to SRO 501 of 2023, there have been significant price hikes in several categories in contrast to the rates mentioned in SRO 489(I)/2022. Steel bars and other long profiles had a significant increase in price, rising from Rs. 164,037 to Rs. 225,000 per metric ton, representing an increase of Rs. 60,963. Similarly, the price of steel billets increased from Rs. 133,813 to Rs. 195,000, reflecting a rise of Rs. 61,187. The price of steel ingots/bars went up from Rs. 126,000 to Rs. 180,000, resulting in a difference of Rs. 54,000. The price of ship plates grew from Rs. 129,584 to Rs. 172,000, resulting in an increase of Rs. 42,416. The value of other re-rollable iron and steel scrap rose from Rs. 125,688 to Rs. 160,880, indicating a rise of Rs. 35,192. Additionally, SRO 501 of 2023 introduces a critical clause that mandates sales tax to be levied on the higher supply value if it exceeds the specified minimum, a provision not explicitly articulated in SRO 489(I)/2022. However, the significant rise in fixed prices is a result of adjustments made for inflationary pressures or changes in market dynamics.

Implications of Revised Sales Tax

For Steel Manufacturers and Suppliers

- Increased Tax Liability: The increased minimum value of steel products means higher sales tax payments. This has raised the overall tax liability for manufacturers and suppliers, potentially affecting their profitability.
- Price Adjustments: Manufacturers and suppliers pass on the additional tax burden to consumers, leading to increased prices for steel products. This is also affecting the demand and sales volumes.
- Cash Flow Impact: Higher tax payments have hurt the cash flows of steel manufacturers and suppliers, especially smaller entities with limited financial reserves.
- Compliance and Reporting: Enhanced compliance requirements arise due to the need to report higher values accurately and ensure that taxes are calculated based on the correct value, particularly when the supply value exceeds the fixed minimum.

For Consumers

- Higher Costs: Consumers, including construction companies and other industries relying on steel products, may face higher costs for steel materials. This could lead to increased project costs and potentially higher prices for end products.
- Market Dynamics: The increase in steel prices has impacted the construction and manufacturing sectors, potentially slowing down projects and affecting overall market dynamics.

For the Federal Board of Revenue (FBR)

- Increased Revenue: The higher fixed values for steel products will likely lead to increased revenue from sales tax collections, aiding in government revenue generation.
- Regulatory Oversight: The FBR will need to enhance its regulatory oversight to ensure compliance with the new values, which may require additional resources for monitoring and enforcement.
- Economic Policy Implications: The adjustment of steel values for tax purposes reflects an economic policy decision that could be tied to broader fiscal strategies, such as inflation control, revenue enhancement, or market regulation.

4. CATEGORIZATION AND CONTRIBUTION OF MAJOR SEGMENTS IN THE STEEL INDUSTRY

The steel industry is divided into three main segments based on product types:

- Long Steel Products: This segment includes billets, rebar, and beams, and it contributes approximately 55-65% to the total steel sales.
- Flat Steel Products: This segment comprises hot rolled coils (HRC) and cold rolled coils (CRC), accounting for about 30-35% of the total steel sales.
- Tubes and Pipes: This segment makes up around 8-10% of the total steel sales.
- Additionally, other steel products contribute about 3-5% to the overall steel sales.

Long Steel Industry Overview

Long steel products include billets, bars, beams, and structural sections. Billets are produced by melting scrap from shipbreaking and automotive sources, then rolled into bars. Due to insufficient local production, iron and steel scrap are predominantly imported, mainly from China. Steel bars are categorized into merchant bars for furniture fabrication and reinforcing bars (rebars) for reinforcing concrete in infrastructure.

Local Long Steel Industry and its Capacity Utilization:

The sector is highly fragmented, with over 300 melting and re-rolling mills, of which only five are listed. Notable top-tier producers include Mughal Iron & Steel, Amreli Steel, and Agha Steel. The Pakistan Association of Large Steel Producers (PALSP) represents about 52 members, accounting for approximately 70% of prime steel production in the country.

Major players operate below capacity due to low demand. For instance, combined capacity utilization of billets for Mughal Iron, Amreli, and Agha Steel dropped to 35.7% in FY23 from 56.3% in FY22. Rebar utilization also declined to 33.5% in FY23 from 55.5% in FY22.

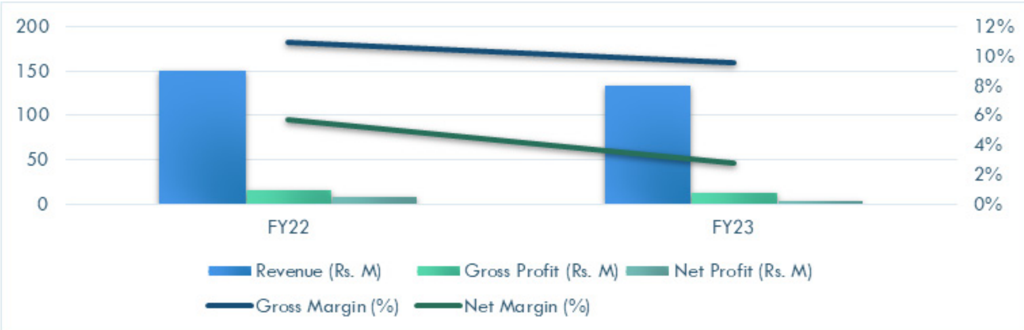
Figure 8:Long Steel Industry Capacity Utilization

Source: Based on VIS Credit Rating Company, Steel Industry Sector Report 2023

Financial Performance

The cumulative revenue for the long steel sector's three leading companies decreased by 11% from Rs. 149,983 million in FY22 to Rs. 133,374 million in FY23. Despite high steel prices driven by international market trends and local currency depreciation, the sector's profitability fell from 5.7% in FY22 to 2.8% in FY23. This decline is attributable to higher financial costs resulting from increased interest rates, despite a reduction in overall borrowing.

Figure 9: Long Steel Industry Combined Financial Performance



Source: Based on VIS Credit Rating Company, Steel Industry Sector Report 2023

Flat Steel Industry Overview

Flat steel products include hot rolled sheets, cold rolled sheets, galvanized sheets, and color-coated sheets. Hot rolled steel is the basic form, cold rolled steel has a finer surface, and galvanized steel involves a zinc coating process. The sector serves various industries like automotive, consumer durables, and construction.

Local Flat Steel Industry and its Capacity Utilization:

The industry comprises two major producers: International Steels Limited (ISL) and Aisha Steel Mills Limited (ASL). ISL also produces color-coated sheets, in addition to CRC and galvanized coils. Capacity utilization for flat steel products significantly declined in FY23. ISL and ASL showed reduced production levels, reflecting lower demand due to economic conditions and other external factors.

Figure 10: Flat Steel Industry Capacity Utilization

Source: Based on VIS Credit Rating Company, Steel Industry Sector Report 2023

Financial Performance

The flat steel sector's revenue decreased by approximately 31% from Rs. 156,253 million in FY22 to Rs. 107,855 million in FY23. The sector's net profit turned to a loss of Rs. 1,329 million in FY23, driven by lower sales revenue and increased financial costs.

Figure 11:Flat Steel Industry Combined Financial Performance

Source: Based on VIS Credit Rating Company, Steel Industry Sector Report 2023

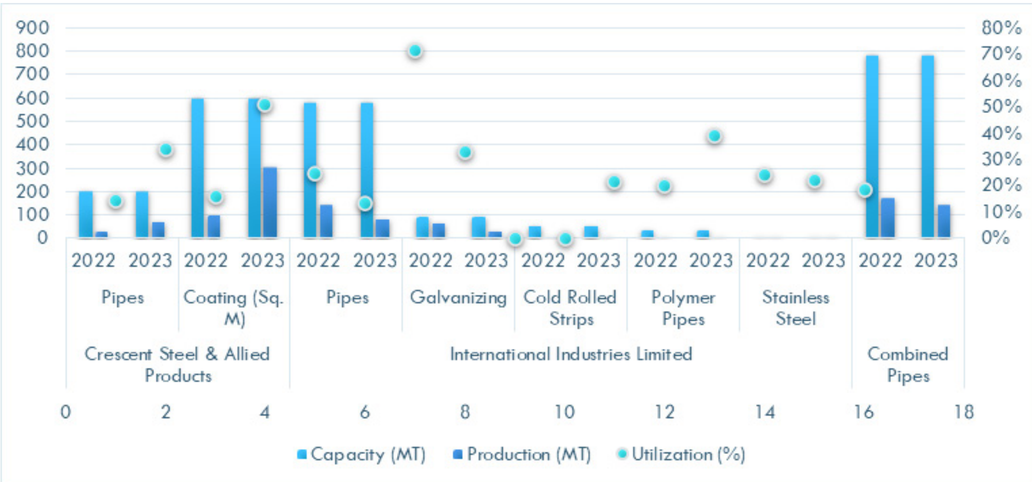
Tubular Industry Overview

The tubular industry includes products like pipes and tubes, with a significant share of raw material costs coming from imported Hot Rolled Coils (HRC). The industry faces low demand due to economic recession, higher prices, and inflation.

Local Tubular Industry and its Capacity Utilization

The sector includes around 50 manufacturing units, with the major listed players being Crescent Steel & Allied Products Limited and International Industries Limited. Capacity utilization in the tubular sector remained low at 18.6% in FY23 compared to 22.0% in FY22, indicating lower demand.

Figure 12: Tubular Industry Capacity Utilization

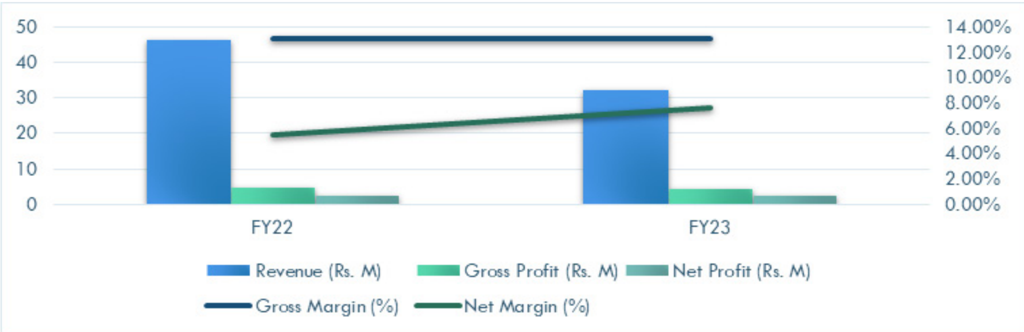


Source: Based on VIS Credit Rating Company, Steel Industry Sector Report 2023

Financial Performance

The revenue for the tubular sector declined from Rs. 46,157 million in FY22 to Rs. 32,068 million in FY23, reflecting lower sales volume and demand. Although steel pipe prices remained high, the sector's profitability was mainly sustained by other income and investments.

Figure 13: Tubular Industry Financial Performance



Source: Based on VIS Credit Rating Company.

Steel Industry Sector Report 2023As steel industry in Pakistan, encompassing long steel, flat steel, and tubular products, faced significant challenges in FY23 due to economic constraints, reduced demand, and high production costs. Despite these challenges, some segments managed to maintain profitability through strategic management of financial resources and operational efficiencies.

Overview of Business Risks Associated with Steel Sector

Operating Risk

Dumped Imports: Despite huge potential for growth, the steel sector's growth momentum has historically remained subdued. One of the major risks that the Sector has faced over time is Import Substitution. Pakistan imports finished steel products from countries including China, Ukraine, Canada, and Russia. Many of the steel products were historically being imported at dumped prices. In a response to the Sector Players' and Association's plea, the NTC imposed anti-dumping duties (~24%) on import of billets/ingots from China effective from June, 2017 for a period of five years. The NTC also imposed dumping duties of ~14% on imported H/C.R Coils/Sheets from Canada and Russia w.e.f. Sep 20, 2019 for a period of five years.

Availability of Cheaper Steel Products: Another key risk for the development of steel sector is the availability of cheaper products (other than dumped) from other markets such as FATA. In Budget FY23, GOP maintains its stance of not taxing the untaxed steel players in FATA, therefore, they continue to be exempt from FED.

Inefficient Energy Utilization: Steel is an energy-intensive sector. Many of the small sized players rely on obsolete and energy inefficient steel making technology. The quality of steel products from these mills is substandard as well as costly in comparison to big manufacturers.

Sales Risk

The demand for Steel Sector is linked to a number of other essential sectors of the economy, the foremost being construction, automotive and electronics sectors. During the 9MFY23 period, a slowdown in construction activities sand automotive sectors resulted in lower sales across both the long and flat steel products.

Prospects for the construction and automotive sectors are positive, therefore, demand for long steel products are expected to foster in the near future. However, flat products, which are majorly used in electronics production, may continue to witness a slowdown in the upcoming days, till the electronics segment revives.

Source: From Steel Sector study 2023, Pakistan Credit Rating Agency Limited

5. CHALLENGES FACED BY THE STEEL SECTOR

In Pakistan, the steel sector is facing several challenges that significantly impact its operational efficiency and economic viability. These challenges, which range from import restrictions and declining demand to issues related to taxation and fiscal reforms, emphasize the need for a comprehensive policy response to sustain and enhance the growth and competitiveness of this sector. Following are the major issues faced by the steel sector in Pakistan.

Import Restrictions and Declining Demand

During the FY 2023, the steel sector experienced a negative growth rate of 5.12%, accompanied by a 42.1% decline in annual demand for steel products16. This downturn was primarily driven by the import restrictions imposed by the State Bank of Pakistan (SBP) aimed at controlling the deteriorating foreign exchange reserves. These restrictions resulted in a substantial reduction in the import of raw materials, causing local production to fall to 8.9 million metric tons (MT) and consequently driving up local prices17. These circumstances were further intensified by a reduction in the capacity utilization rate to 53% across all segments of the steel industry, including long products, flat products, and tubes and pipes18.

Dual Tax System and Smuggling Issues

A significant challenge faced by the major steel producers in Pakistan is the dual tax system prevalent in regions such as the Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Areas (PATA). The Pakistan Association of Large Steel Producers (PALSP) has highlighted that lenient tax policies in these regions result in an unfair burden on law-abiding taxpayers and regulated industries. Approximately 92% of steel produced in Non-Metered Districts (NMDs) is smuggled to settled areas without sales tax payment, causing an estimated annual revenue loss of Rs30.61 billion to the national exchequer, totaling approximately Rs150 billion over five years exclusively within the long steel industry19.

Impact of IMF's Structural Fiscal Reform

The International Monetary Fund (IMF) has emphasized structural fiscal reform as part of its stand-by arrangement, focusing on expanding the tax base and equitably distributing the tax burden. As part of these reforms, the IMF has recommended systematic increases in advance income tax rates on the import of machinery and raw materials, which are expected to generate significant monthly revenues. These measures, although aimed at improving government revenue, cause potential implications for businesses, including the steel industry, by increasing operational costs and affecting profitability.

Unilateral Increase in Sales Tax Payment Rates

In a development that has further stressed the steel sector, the Federal Board of Revenue (FBR) unilaterally raised the minimum value/applicable rates per metric ton of locally produced steel goods for determining sales tax payment through c. This decision resulted

16 For details see: https://www.pacra.com/sector_research/PACRA%20Research%20-%20Steel%20-%20Sep'23_1693919766.pdf

17 For details see: https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Steel%20-%20Sep%2723_1693919766.pdf

18 For details see: https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Steel%20-%20Sep%2723_1693919766.pdf

19 For details see: https://tribune.com.pk/story/2424949/palsp-lambastes-dual-tax-system

in a 28% to 46% increase in the minimum values for various categories of steel goods compared to the previous year's rates, pushing steel bar prices to potentially unreasonable levels for the public20. This increase presents a significant challenge for the industry, further hindering its ability to manage existing pressures and declining its potential for growth and competitiveness.

Additionally, the imposition of the super tax by the government has disproportionately penalized large, documented sectors such as the steel industry. This sector, which ranks as the sixth largest export sector, faces considerable pressure, leading to many units operating at minimal capacities or shutting down altogether. The high rate of regressive turnover tax, currently set at 1.25%, and the limited three-year carry-forward adjustment period for minimum tax require urgent revision to stimulate industry revival21. The turnover tax, initially aimed at targeting SMEs engaging in deliberate loss declaration to evade taxes, adversely affects documented tax-paying sectors, which are subject to rigorous audits.

Furthermore, the steel industry is facing a surge in prices due to significant hikes in global raw material costs, particularly steel scrap, as well as increases in freight charges, substantial devaluation of the domestic currency(Pakistan Rupee), delayed opening of letters of credit (LCs), sharp rises in discount rates, high taxes and duties, elevated tariffs on gas, electricity, and fuel, growing labor and overhead expenses, and unmitigated inflation rates. These factors collectively contribute to a challenging economic landscape, making it imperative for stakeholders to address these issues to ensure the sustainability and growth of Pakistan's steel sector.

20 For details see: https://www.brecorder.com/news/40241437/psma-requests-fbr-to-withdraw-sro-50112023

21 For details see: https://taxsummaries.pwc.com/pakistan/corporate/taxes-on-corporate-income

6. POLICY RECOMMENDATIONS

Policy Recommendations Detailed

The following recommendations aim to provide a strategic approach to alleviating the challenges faced by Pakistan's steel sector and encouraging its growth in a competitive economic environment.

Rationalizing Turnover Tax

It is recommended to rationalize the turnover tax rate for the steel sector. The current rate of 1.25% should be re-evaluated considering the sector's low-profit margins and high turnover. A more reasonable tax rate would help in reducing the financial burden on the steel companies and support their growth.

Extending Adjustment Period for Minimum Tax

The adjustment period for the minimum tax should be extended from the existing 3 to 10 years or more to provide relief to the steel sector. This would allow companies more time to adjust their finances and manage their tax liabilities better. The continuation of the duration of the adjustment period should be based on the performance metrics including the growth in production, employment generated, and investment inflow that can be evaluated on yearly basis.

Addressing Tax Evasion and Misapplication of Exemptions

Strengthening measures to combat tax evasion and ensuring the proper application of tax exemptions are crucial. This includes better monitoring and enforcement mechanisms to ensure compliance and reduce instances of tax evasion and misuse of exemptions. FBR should implement automated tax filing, data integration, and AI tools to enhance tax transparency in the steel sector. Also, FBR and independent audit firms should increase targeted audits and third-party verification to ensure compliance and penalize evasion. Ministry of Commerce should mandate digital invoicing and steel production tracking using blockchain for supply chain transparency.

Supporting Policy Framework

A comprehensive policy framework is needed to address the challenges faced by the steel sector. This includes reviewing the cost structure, reducing input costs, and providing incentives for local production. Additionally, collaboration with think tanks and stakeholders can help develop effective strategies for the sector's growth.

Enhancing Competitiveness

To enhance the competitiveness of the steel sector, there should be initiatives to reduce production costs and improve efficiency. This can be achieved through technological upgrades, better management practices, and supportive government policies that encourage innovation and investment in the sector.

Strengthening Quality Controls

Enforcing quality standards rigorously to ensure the production of high-quality steel and protect compliant producers. It is suggested to set up independent audits or performance reviews for monitoring, which would ensure the implementation of policies and the evaluation of progress to gauge the achievement of the desired outcomes.

Reviewing Exemptions

Reassessing the exemptions granted to certain regions (Ex Fata/Pata) to prevent misuse and create a level playing field for all producers. In this review of the exemptions the ultimate goals are the sector growth and development for this purpose phased adjustment or compensation measures can be considered.

Summary of Policy Recommendations

Sr No.	Who (Stakeholders)	Policy Recommendation	What	Why	When	How	Where
1	**Federal Board of Revenue (FBR) and Ministry of Finance**	*Rationalizing Turnover Tax*	Rationalize the turnover tax rate for the steel sector.	The current rate of 1.25% is high given low-profit margins and high turnover, burdening steel companies.	As soon as possible	Conduct a comprehensive review with stakeholders and economic experts, amend tax regulations.	Nationwide
2	**Federal Board of Revenue (FBR)**	*Extending Adjustment Period for Minimum Tax*	Extend adjustment period from 3 years to 10 years or more.	Allows companies more time to adjust finances, manage tax liabilities better, and ensure financial stability.	Immediately	Amend current tax laws, engage with stakeholders to ensure needs are met. Extended adjustment period must be based on performance metrics like production growth, employment, and investment infl ow.	Nationwide
3	**FBR, Pakistan Customs, Ministry of Commerce**	*Addressing Tax Evasion and Misapplication of Exemptions*	Strengthen measures to combat tax evasion and misuse of exemptions.	Tax evasion undermines tax system integrity, leads to revenue losses and unfair competition.	Continuously, with periodic reviews	Improve monitoring, conduct regular audits, enhance coordination, use technology to track transactions. For this purpose, FBR can implement automated tax filing, data integration, AI tools, targeted audits, third-party verification, and blockchain tracking.	Nationwide, focus on Ex-FATA/PATA
4	**Ministry of Industries and Production, Ministry of Finance, Planning Commission**	*Supporting Policy Framework*	Develop comprehensive policy framework.	Needed to tackle high input costs, regulatory burdens, and to boost local production through incentives.	Immediate	Collaborate with stakeholders, think tanks, review and update policies regularly, review cost structure, reduce input costs, and offer incentives for local production.	Nationwide
5	**Ministry of Industries and Production, Board of Investment, Ministry of Science and Technology**	*Enhancing Competitiveness*	Reduce production costs, improve efficiency.	Crucial for the steel sector to thrive in domestic and international markets.	Long-term strategies, progressively implemented	Promote technological upgrades, better management practices, provide government incentives.	Nationwide

Sr No.	Who	Policy Recommendation	What	Why	When	How	Where
6	**Ministry of Industries and Production, Ministry of Commerce, independent audit firms and steel industries**	*Strengthening Quality Controls*	Enforce rigorous quality standards and set up independent audits for monitoring in the steel industry.	Ensuring high-quality production protects compliant producers, enhances product reputati on.	Immediate, continuous	Implement strict quality control measures, conduct regular inspections, encourage certification. Conduct independent audits and performance reviews to monitor policy implementation and outcomes.	Nationwide, focus on steel sector
7	**Federal Board of Revenue (FBR) Ministry of Finance, Regional authorities, Steel companies**	*Reviewing Exemptions*	Reassess exemptions granted to certain regions.	Prevent misuse of exemptions, create a level playing field for all produce rs.	Annual review process, immediate reassessment as needed, and phased implementation evaluated annually	Conduct phased adjustment or provide compensation measures to ensure exemptions contribute to sector growth and development.	Target Ex-FATA/PATA, ensure nationwide consistency

7. CONCLUSION

Summary of Challenges and Recommendations

The steel sector in Pakistan faces multifaceted challenges that hinder its growth and sustainability. These include stringent import restrictions, a dual tax system, smuggling issues, and the impacts of IMF-mandated structural fiscal reforms. Additionally, unilateral increases in sales tax rates and the imposition of super taxes have intensified financial pressures on industry. Key recommendations include rationalizing turnover tax, extending adjustment period for minimum tax, addressing tax evasion and misapplication of exemptions, supporting policy framework, enhancing competitiveness, strengthening quality controls, and reviewing exemptions.

Call to Action for Stakeholders

Government and Policy Makers

Immediate action is required to revise and implement the recommended policies. This includes rationalizing taxes, extending tax adjustment periods, and enhancing measures to combat tax evasion. Collaboration with stakeholders, including industry experts and think tanks, is crucial for developing a supportive policy framework.

Industry Leaders and Corporations

Embrace technological upgrades and improve management practices to enhance efficiency and competitiveness. Comply with quality control standards to ensure high-quality production and encourage a positive industry reputation.

Financial Institutions and Investors

Provide financial support and investment in technological advancements to drive the growth and sustainability of the steel sector. Facilitate easier access to credit and financial resources for steel companies.

Academic and Research Institutions

Conduct research and provide insights into innovative practices and technologies that can enhance the efficiency and competitiveness of the steel sector. Collaborate with industry players to develop practical solutions to existing challenges.

Long-term Vision for the Steel Sector's Sustainability

The long-term vision for steel sector of Pakistan involves creating a sustainable, competitive, and self-reliant industry. This requires following:

Sustainable Growth

Achieving a balance between economic growth and environmental sustainability through the adoption of green technologies and practices.

Global Competitiveness

Positioning Pakistan's steel industry as a competitive player in the global market by enhancing production capacities, improving product quality, and reducing costs.

Innovation and Technological Advancement

Continuously investing in technological upgrades and innovations to improve efficiency, reduce waste, and enhance product quality.

Policy Support and Stability

Ensuring a stable and supportive policy environment that encourages investment, reduces regulatory burdens, and forwards a level playing field for all industry players.

Collaborative Efforts

Strengthening collaboration among government, industry, academia, and financial institutions to drive holistic growth and address sectoral challenges effectively.

In conclusion, the sustainability and growth of steel sector of Pakistan depend on strategic policy interventions, technological advancements, and collaborative efforts among all stakeholders. By addressing the current challenges and implementing the recommended measures, the steel industry can achieve long-term growth and contribute significantly to the economic development of the country.

Scope for Future Studies

Future research on the steel sector in Pakistan on the following key areas can be carried out:

The Carbon Border Adjustment Mechanism (CBAM) of the European Union poses significant challenges for carbon-intensive industries that includes steel industry. Further research can assess its effects on steel exports, competitiveness, and compliance costs for Pakistan. It can include evaluating the steel sector's technical readiness for carbon standards, financial implications of CBAM adjustments, and policy responses from the government and industry stakeholders regarding environmental compliance versus economic viability.

China-Pakistan Economic Corridor (CPEC) is reshaping industrial landscape of Pakistan, making it essential to explore its impact on the steel sector. Future studies can examine how Special Economic Zones (SEZs) affect steel demand, production capacity, and technological upgrades. For this analysis, the supply chain integration, foreign direct investment (FDI) in the steel industry can be explored and how CPEC-related infrastructure developments drive steel consumption while enhancing regional trade and logistical efficiencies.

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9. APPENDIX I

Country	Ranking in 2022	Crude Steel Production in 2022 (In million tonnes)	Country	Ranking in 2022	Crude Steel Production in 2022 (In million tonnes)
China	1	1018	**Pakistan**	27	6
India	2	125.3	**United Kingdom**	28	6
Japan	3	89.2	**Australia**	29	5.7
United States	4	80.5	**Thailand**	30	5.3
Russia	5	71.5	**Bangladesh**	31	5.2
South Korea	6	65.8	**Argentina**	32	5.1
Germany	7	36.8	**Sweden**	33	4.4
Türkiye	8	35.1	**South Africa**	34	4.4
Brazil	9	34.1	**Czechia**	35	4.3
Iran	10	30.6	**Kazakhstan**	36	4.1
Italy	11	21.6	**Slovakia**	37	3.9
Taiwan, China	12	20.8	**Finland**	38	3.5
Viet Nam	13	20	**Algeria**	39	3.5
Mexico	14	18.1	**United Arab Emirates**	40	3.2
Indonesia	15	15.6	**Oman**	41	3
France	16	12.1	**Romania**	42	2.6
Canada	17	12.1	**Belarus**	43	2.1
Spain	18	11.5	**Luxembourg**	44	1.9
Malaysia	19	10	**Portugal**	45	1.9
Egypt	20	9.8	**Serbia**	46	1.7
Saudi Arabia	21	9.1	**Philippines**	47	1.6
Austria	22	7.5	**Greece**	48	1.5
Poland	23	7.4	**Colombia**	49	1.3
Belgium	24	7	**Kuwait**	50	1.3
Ukraine	25	6.3	**Others**		20.9
Netherlands	26	6.1	**World**		1885.4

10. APPENDIX II

Sr. No	Name of the Unit	2021 % Share in total Production	Composite or Melter only
1	**Amreli Steels Limited**	14.76	Composite
2	**Mughal Iron & Steel Industries Limited**	9.95	Composite
3	**Agha Steel Industries Limited**	4.94	Composite
4	**Asg Metals Limited**	1.41	Composite
5	**Aziz Industries**	3.15	Melter Only
6	**Faizan Steel**	3.87	Composite
7	**Fazal Steel Private Limited**	2.81	Composite
8	**Frontier Foundry Steel Pvt Ltd**	7.68	Composite
9	**Hattar Steel Re Rolling Mill**	1.62	Composite
10	**Ittehad Steel Industries**	3.75	Composite
11	**Kamran Steel Re Rolling Mills Private Limited**	3.17	Composite
12	**Karachi Steels Re Rolling Mill**	0.74	Composite
13	**Naveena Steels**	0.54	Composite
14	**Karim Aziz Industries Private Limited**	1.84	Melter Only
15	**Ma Steel Casting**	1.73	Melter Only
16	**Madina Steel Casting Mills**	1.39	Melter Only
17	**Mat Cast Pvt. Limited**	1.48	Melter Only
18	**Farid Steel Casting**	1.84	Melter Only
19	**Mian Steel Casting**	1.73	Melter Only
20	**Diamond Metals**	1.73	Melter Only
21	**Punjab Concast**	0.72	Melter Only
22	**Farid Steel**	1.39	Composite
23	**Km Steel Mills**	1.39	Composite
24	**Muhammad Hussain & Sons Private Limited**	1.39	Melter Only
25	**M.I.Z Rerolling Steel Mills**	1.04	Composite
26	**Rehmat Steel Furnace (Closed)**	0.00	Melter Only
27	**Mazhar Steels**	1.39	Composite
28	**Mehboob Steel Re Rolling Mills**	1.30	Composite
29	**Mujahid Enterprises**	2.77	Composite
30	**Mujahid Steel Industries Private Limited**	2.77	Composite
31	**Mustehkum Ittefaq Steel Industries Rerol**	2.41	Composite
32	**Neelum Steel Industries**	1.39	Composite
33	**Nomee Steel**	1.62	Composite
34	**Pak Iron**	1.44	Composite
35	**Pak Steel Rerolling Mills**	1.01	Composite
36	**Razzaque Steels**	1.33	Composite
37	**Royal Steel Mills**	1.39	Composite
38	**Sarhad Iron & Steel Mills Private Limited**	1.73	Composite
39	**Silichem Industries**	1.01	Composite
40	**T.A Corporation Private Limited**	1.39	Composite
41	**Tarbella Steel Rerolling Mills Private Limited**	1.01	Composite
	Total	100.00	

Source: Extracted from Government of Pakistan National Tariff Commission Report on Conclusion of Sunset Review of Anti-Dumping Duty Imposed on Dumped Imports of Continuous Casting (Steel) Billets into Pakistan Originating in and/or Exported from the People's Republic of China

Note: *Composite units include both melting and rolling operations, while Melter Only units are limited to melting operations only.

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