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Growth, Productivity and Structural Change in Pakistan's Industrial Sector, 1980 – 2015

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This paper attempts to measure productivity growth and structural change in Pakistan's economy by taking data of Pakistani industries covering the period from 1980 to 2015. The paper uses Pakistan KLEMS data being developed on the pattern of internationally comparable data of EU KLEMS and Asia KLEMS. The paper begins by presenting the growth accounting results, then evaluates the sources of growth and derives measures of multifactor productivity at the industry level. The descriptive statistics of each industry based on data from 1980 to 2010 displays interesting patterns in the time-path of MFP growth. On average, MFP has been positive in all industries, especially in post-1995 period. The agriculture industry along with the basic metals, textile, and non-metallic mineral products industries have become more labor intensive in post-1995 period while food & beverage, pulp & paper and machinery industries have become more capital intensive. In the next step, the paper presents new evidence on patterns of structural change in Pakistan by applying the shift-share methodology to labor productivity. It also conducts the sensitivity analysis of the shift-share results to the level of aggregation of the respective industries and identifies heterogeneity among industries.