Executive Summary

The annual publication of "International Investment Position of Pakistan 2008" presents country's International Investment position as on December 31, 2007 & 2008. It includes data analysis on investments (direct, portfolio and others) in Pakistan and abroad and external debt statistics. The data tables consist of opening & closing stocks with flows and valuation changes during the year. The publication gives a broader picture of all four sectors of economy i.e. general government, monetary authority, banks and other sectors aligned with the format of International Investment position (IIP) recommended by the 5th edition of Balance of Payments manual BPM5. The format also provides details of all financial assets and liabilities on gross basis and net IIP gives the net of the positions i.e. what a country owns and what it owes to the rest of the world.

Data on direct and portfolio investment in Pakistan and abroad are collected through the annual survey of Pakistan's foreign liabilities & assets and coordinated portfolio investment survey of companies registered or incorporated abroad and functioning in Pakistan and companies incorporated in Pakistan having foreign participation. In addition, information has also been collected from various departments of State Bank of Pakistan (SBP), banks, Ministry of Finance (MoF) and other sources. IIP is an encouraged data category of General Data Dissemination System (GDDS) and prescribed element of Special Data Dissemination Standard (SDDS) of International Monetary Fund (IMF). The IMF also disseminates international investment position data of member countries through its Balance of Payments Yearbook and IFS publications. Virtually all countries report as per the format recommended in the fifth edition of the Balance of Payments Manual (BPM5).

This publication is expected to have immense utility for analysts to know about foreign investment, movements in stocks of investments and economic relationship with other countries. It serves as an indicator of financial stability, ratio analysis such as debt to GDP and short term debt to reserves, showing capital structure of an economy and its reliance on debt or equity financing. It also shows an assessment of economic relations with rest of the world such as ability to attract FDI. It indicates financial openness when gross assets/liabilities vis-à-vis GDP, and indicator of futures interest and dividend flows.

As part of initiatives for further improving the coverage & data quality the Statistics & DWH department is conducting Coordinated Direct Investment Survey (CDIS) for 2009. The CDIS will result in the assemblage of a comprehensive database of direct investment positions data (as of the end of 2009), disaggregated by instruments and by counterpart economies of immediate investors. The survey will be utilized not only for direct investment position under CDIS but all information needed for IIP compilation have also been incorporated in the questionnaire. For easy access by the users, the publication is also available on our website http://www.sbp.org.pk/publications/IIPP/index.htm

Overall net IIP of Pakistan shows that its worth has decreased from US$ -50,754 million in 2007 to US$ -52,298 million during 2008. External financial assets decreased by 21 percent in 2008. Direct and portfolio investment abroad which is 12 percent of the total assets has increased by US$ 523 million or 33 percent during 2008. This happened mainly due to increase in capital of Pakistanis companies in its overseas branches/ subsidiaries. Reserve assets of Pakistan dominating the assets side with 54 percent share have decreased by 38 percent or US$ 5,903 million during 2008. Direct and portfolio investment in Pakistan which accounts for 30 percent of the total liabilities of Pakistan have decreased from US$ 32,388 in 2007 million to US$ 21,196 million during 2008. The reason of decrease in direct and portfolio investment in Pakistan is price changes which contributed US$ 10, 286 million in overall decrease. External loans which account for 66 percent of the total liabilities have increased from US$ 39,038 million to US$ 46,602 million by US$ 7,564 million or 19 percent from the previous year.