

## **Review of IIP 2008**

Overall net IIP position of Pakistan shows that its net IIP has deteriorated from US\$ -50,754 million in 2007 to US\$ -52,298 million by US\$ 1,544 or 3 percent during 2008. External financial assets decreased from US\$ 22,769 million in 2007 to US\$ 17,993 million by US\$ 4,776 million or 21 percent in 2008. The main reason of this decrease is 44 percent fall in foreign exchange reserves from the previous year.

Direct and portfolio investment abroad which is 12% of the total assets have increased by US\$ 523 million or 33 percent during the year 2008. This happened mainly due to increase in capital of Pakistanis companies in its overseas branches or subsidiaries.

Other investment that includes trade credits and currency and deposits as major components is 35 percent of the total assets. About 50 percent of other investment assets belong to trade credits which increased 11 percent during the year 2008. Currency and deposits with 31% share in other investment has increased by US\$ 354 million from US\$ 1,617 million to US\$ 1,971 million or 22 percent during the year 2008.

Reserve assets that include foreign exchange reserves and monetary gold as major components and dominating the assets side with 54 percent share have decreased by 38 percent or US\$ 5,903 million during 2008. Foreign exchange reserves which hold 80% of the reserve assets have decreased by 44 percent or US\$ 5,930 million. Monetary gold which is 19 percent of the reserve assets has increased by 3 percent during the year 2008 due to valuation changes.

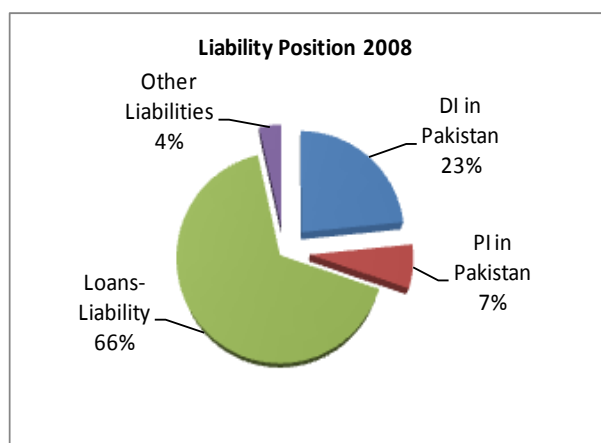
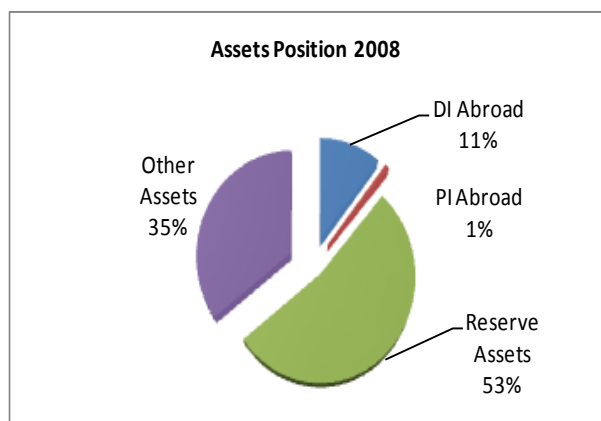
The overall liabilities of Pakistan have decreased from US\$ 73,523 million to US\$ 70,291 million by US\$ 3,232 million or 4 percent during the year 2008.

The decrease in liabilities is mainly due to decrease in

market value of equity securities under direct and portfolio investments (35 percent from the previous year) as IIP stocks are based on market value of securities.

Direct and portfolio investment in Pakistan which are 23 percent and 7 percent of the total liabilities have decreased from US\$ 25,621 million to US\$ 16,473 million by US\$ 9,148 million or 36 percent and from US\$ 6,767 to US\$ 4,723 by US\$ 2,044 million or 30 percent respectively from the previous year. The reason of decrease in direct and portfolio investment in Pakistan is mainly due to price changes which contributed US\$ 8,188 million and US\$ 2,098 million respectively. About 90 percent change in FDI is due to price changes while 103 percent of the decrease in FPI is due to decrease in prices of securities.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 95 percent and 3 percent share in other investment respectively. The loans remain a major contributor which accounts 66 percent of the total liabilities of Pakistan in the year 2008. These have increased from US\$ 39,038 million to US\$ 46,602 million by US\$ 7,564 million or 19 percent from the previous year. Major portion of loans are long term Multilateral and Paris club loans which cover respectively 48 percent and 31 percent of the total outstanding loans. The loans from Multilateral and Paris club have increased from US\$ 19,855 million to US\$ 22,207 million by US\$ 2,352 million or 12 percent and US\$ 13,306 million to US\$ 14,523 million by US\$ 1,217 million or 9 percent respectively during the year 2008.



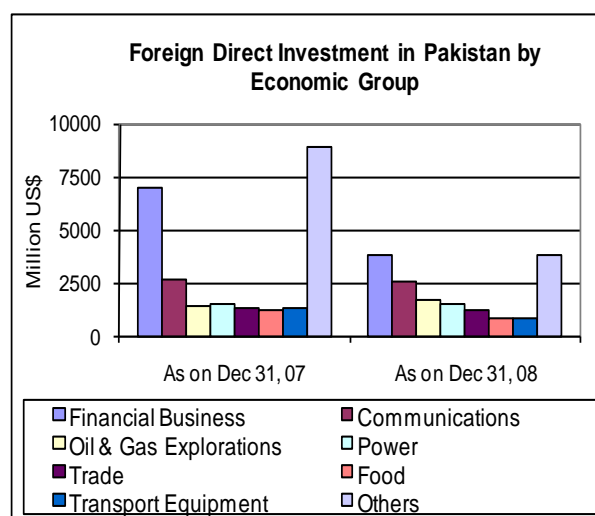
**Explanation of Functional types of Investment**

**(i) Foreign Direct Investment (FDI) in Pakistan by Economic Group**

**Table 3**

ECONOMIC GROUP	Dec31, 2007		Dec31, 2008		% change in 2008
	Stock Position	% share	Stock Position	% share	
Financial Business	7,033.9	27.5	3,831.1	23.3	(45.5)
Communications	2,716.1	10.6	2,593.3	15.7	(4.5)
Oil & Gas Explorations	1,418.5	5.5	1,706.5	10.4	20.3
Power	1,562.1	6.1	1,563.0	9.5	0.1
Trade	1,392.6	5.4	1,284.6	7.8	(7.8)
Food	1,213.0	4.7	847.5	5.1	(30.1)
Transport Equipment	1,304.9	5.1	823.3	5.0	(36.9)
Others	8,980.5	35.1	3,823.6	23.2	(57.4)
<b>Total</b>	<b>25,621.5</b>	<b>100.0</b>	<b>16,472.9</b>	<b>100.0</b>	<b>(35.7)</b>

There is major decrease of 46 percent in stock of FDI in financial sector. Although net inflows in the sector increased by 82 percent but valuation changes caused the decrease in stock position of FDI in the sector. The share of FDI stock of financial sector is 23 percent of the overall FDI stock in 2008 but 62 percent of the decrease in prices of overall FDI is due to decrease in prices of equities in financial sector. FDI stock in Oil & gas exploration increased by 20 percent. The decrease of 4.5 percent in communication sector is mainly due to decrease of FDI stock in telecom sector. In telecom sector, net inflows of FDI increased by 103 percent but the decrease in prices of equities in the sector resulted a decrease of FDI stock of telecom sector by 7 percent in 2008.

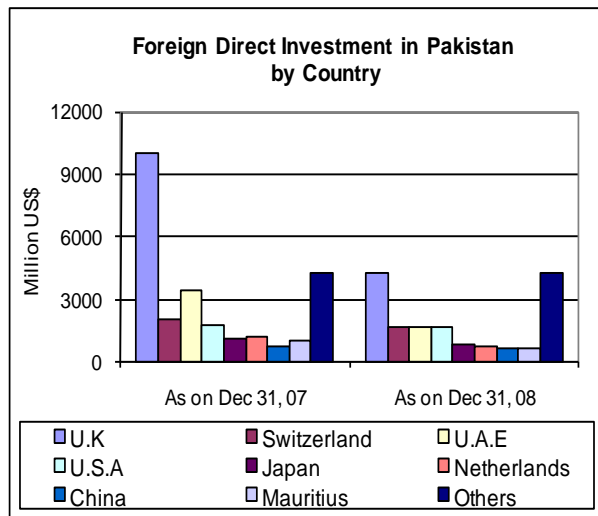


**(ii) Foreign Direct Investment (FDI) in Pakistan by Country**

**Table - 4**

COUNTRY	Dec31, 2007		Dec31, 2008		% change in 2008
	Stock Position	% share	Stock Position	% share	
U.K	10,016.3	39.1	4,241.7	25.7	(57.7)
Switzerland	2,041.7	8.0	1,707.8	10.4	(16.4)
U.A.E	3,475.6	13.6	1,663.9	10.1	(52.1)
U.S.A	1,787.9	7.0	1,638.5	9.9	(8.4)
Japan	1,114.8	4.4	812.9	4.9	(27.1)
Netherlands	1,173.1	4.6	787.3	4.8	(32.9)
China	748.6	2.9	694.8	4.2	(7.2)
Mauritius	1,006.1	3.9	608.1	3.7	(39.6)
Others	4,257.4	16.5	4,317.9	26.2	1.4
<b>Total</b>	<b>25,621.5</b>	<b>100.0</b>	<b>16,472.9</b>	<b>100.0</b>	<b>(35.7)</b>

UK has major share in the FDI stock in Pakistan and it decreased in 2008 by 58 percent followed by Switzerland and UAE showing decrease of 16 and 52 percent respectively in 2008. USA remains on fourth place with respect to FDI stock in 2007 and 2008 and showed a decrease of 8 percent in 2008 while Chinese stock of FDI decreased by 7 percent.

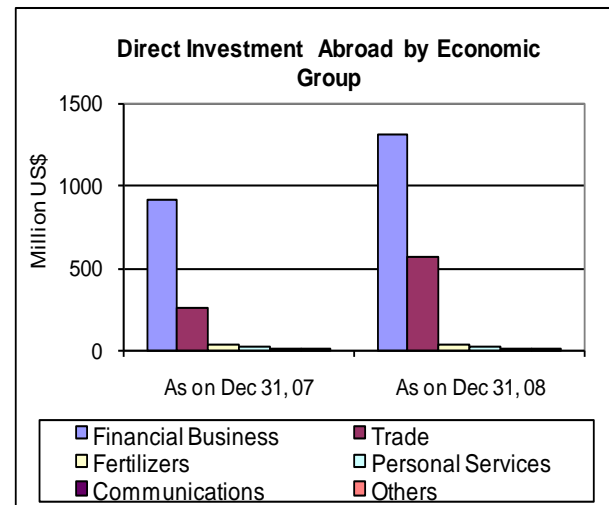


**(iii) Direct Investment Abroad by Economic Group**

**Table 5**

ECONOMIC GROUP	Dec31, 2007		Dec31, 2008		% change in 2008
	Stock Position	% share	Stock Position	% share	
Financial Business	911.9	73.0	1,308.6	66.8	43.5
Trade	259.0	20.7	571.7	29.2	120.7
Fertilizers	34.4	2.8	32.2	1.6	(6.3)
Personal Services	28.4	2.3	24.0	1.2	(15.6)
Communications	5.4	0.4	10.1	0.5	86.6
Others	9.8	0.8	13.0	0.7	32.7
<b>Total</b>	<b>1,248.9</b>	<b>100.0</b>	<b>1,959.6</b>	<b>100.0</b>	<b>56.9</b>

Financial Business recorded 67 percent share in overall stock of direct investment abroad. The investment by the sector increased by 44 percent during at December 2008 as compared to end 2007. Majority of the stock comprise of Pakistani bank's capital in its branches in other countries. Trade sector, remained second in the stock of DI abroad with 29 percent share. The growth in the stock of DI abroad by the sector is recorded as 121 percent. Other sectors have less significant contribution in the overall stock DI abroad. Overall DI abroad increased by 57 percent.

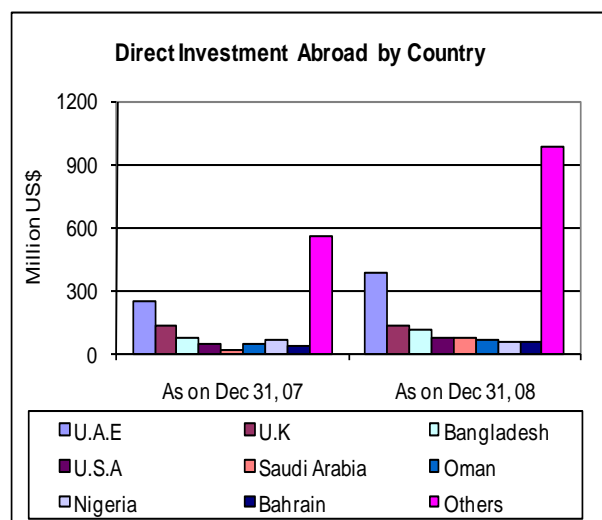


**(iv) Direct Investment Abroad by Country**

**Table 6**

COUNTRY	Dec31, 2007		Dec31, 2008		% change in 2008
	Stock Position	% share	Stock Position	% share	
U.A.E	254.7	20.4	385.0	19.6	51.2
U.K	131.2	10.5	140.2	7.2	6.9
Bangladesh	74.1	5.9	114.9	5.9	55.1
U.S.A	45.8	3.7	75.8	3.9	65.6
Saudi Arabia	20.0	1.6	74.6	3.8	272.5
Oman	50.4	4.0	66.0	3.4	30.9
Nigeria	65.8	5.3	62.6	3.2	(4.9)
Bahrain	41.0	3.3	55.0	2.8	34.1
Others	565.9	45.3	985.5	50.3	74.2
<b>Total</b>	<b>1,248.9</b>	<b>100.0</b>	<b>1,959.6</b>	<b>100.0</b>	<b>56.9</b>

Direct investment abroad is mainly concentrated in U.A.E, U.S.A, Bangladesh and Saudi Arabia and the investment in these countries increased by 51, 66, 55 and 273 percent respectively. Major increase has been recorded in DI in Saudi Arabia by 273 percent.

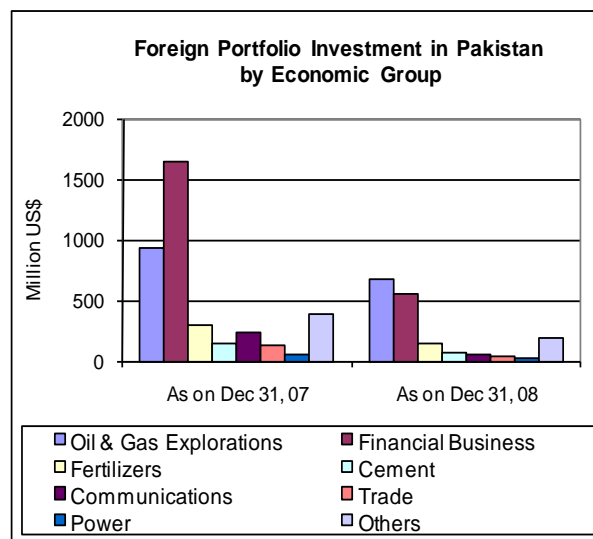


**(v) Foreign Portfolio Investment (Equity) in Pakistan by Economic Group**

**Table 7**

ECONOMIC GROUP	Dec31, 2007		Dec31, 2008		% change in 2008
	Stock Position	% share	Stock Position	% share	
Oil & Gas Explorations	946.1	24.5	679.0	37.8	(28.2)
Financial Business	1,646.4	42.7	558.3	31.1	(66.1)
Fertilizers	296.2	7.7	152.7	8.5	(48.5)
Cement	149.6	3.9	73.8	4.1	(50.7)
Communications	235.6	6.1	63.2	3.5	(73.2)
Trade	137.6	3.6	40.8	2.3	(70.3)
Power	54.3	1.4	27.1	1.5	(50.1)
Others	392.7	10.2	202.6	11.3	(48.4)
<b>Total</b>	<b>3,858.6</b>	<b>100.0</b>	<b>1,797.5</b>	<b>100.0</b>	<b>(53.4)</b>

Main recipient of short term portfolio investment are Oil & gas exploration and financial business with 38 and 31 percent share in overall portfolio investment in Pakistan. The stock decreased in all sectors due to falling market values of equities in Pakistan. Overall FPI in Pakistan decreased by 53 percent during the year.



**(vi) Foreign Portfolio Investment (Equity) in Pakistan by Country**

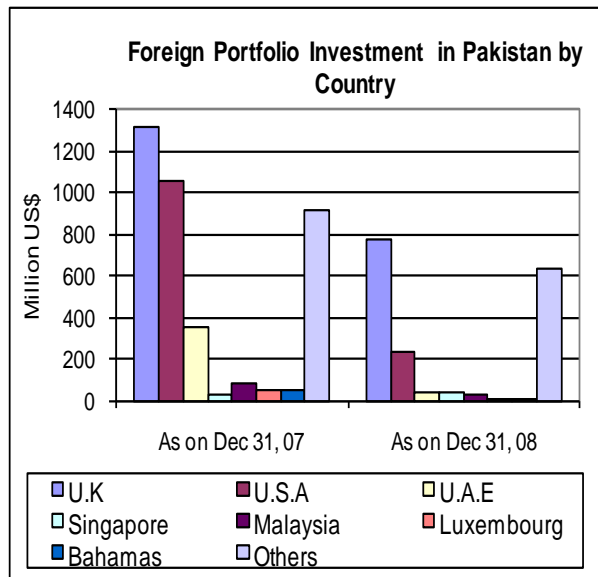
**Table 8**

Country	Dec31, 2007	Dec31, 2008

	Stock Position	% share	Stock Position	% share	% change in 2008
U.K	1,318.5	34.2	779.0	43.3	(40.9)
U.S.A	1,053.0	27.3	236.8	13.2	(77.5)
U.A.E	350.7	9.1	45.8	2.5	(86.9)
Singapore	29.9	0.8	39.9	2.2	33.4
Malaysia	83.3	2.2	30.6	1.7	(63.2)
Luxembourg	59.0	1.5	14.7	0.8	(75.1)
Bahamas	53.5	1.4	13.1	0.7	(75.4)
Others	910.5	23.6	637.4	35.5	(30.0)
<b>Total</b>	<b>3,858.6</b>	<b>100.0</b>	<b>1,797.5</b>	<b>100.0</b>	<b>(53.4)</b>

UK and USA are the two main investors of portfolio investment in Pakistan with 43 and 13 percent share in overall portfolio investment in the country. The stock from these countries decreased by 41 and 78 percent respectively.

Comparatively higher net inflows have been recorded from Singapore during 2008 for portfolio investment. Overall FPI in Pakistan decreased by 53 percent.



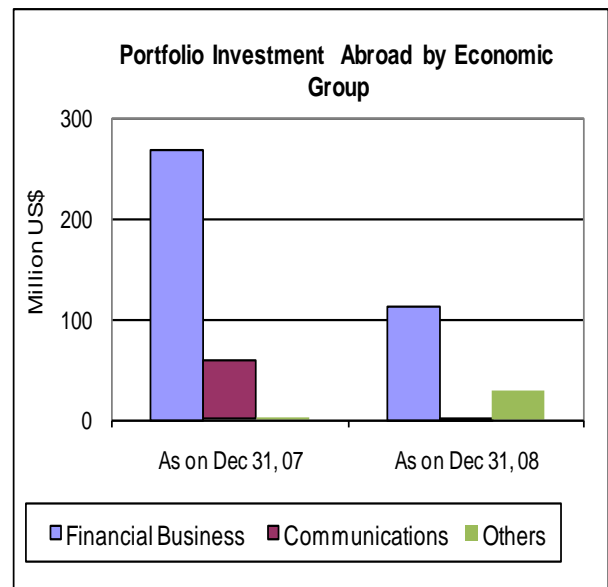
(vii) Portfolio Investment Abroad by Economic Group

Table 9

ECONOMIC	Dec31, 2007	Dec31, 2008	%
----------	-------------	-------------	---

GROUP	Stock Position	% of Total	Stock Position	% of Total	change in 2008
Financial Business	268.7	81.5	112.7	79.7	(58.0)
Communications	59.5	18.0	0.8	0.6	(98.6)
Transport	0.2	0.1	0.4	0.3	77.9
Others	1.4	0.4	27.5	19.4	1,810.8
<b>Total</b>	<b>329.9</b>	<b>100.0</b>	<b>141.4</b>	<b>100.0</b>	<b>(57.1)</b>

Financial Business recorded 80 percent share in overall stock of portfolio investment abroad. The investment by the sector decreased by 58 percent during at December 2008 as compared to end 2007. Communication sector remained second in the stock of PI abroad with 1 percent share. The decline in the stock of PI abroad by the sector is recorded as 99 percent. Overall PI abroad decreased by 57 percent.



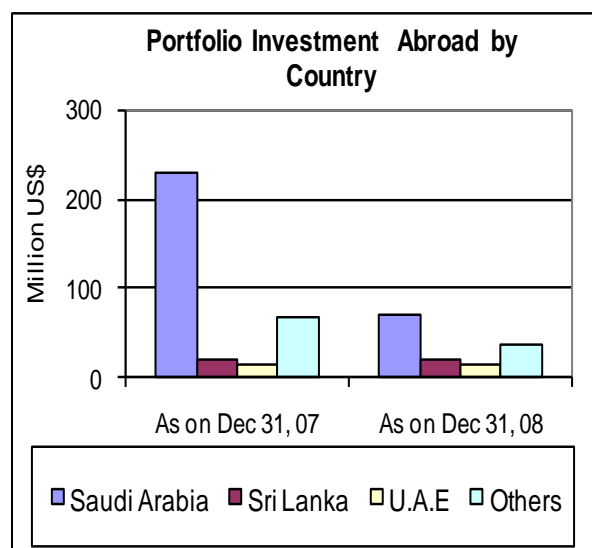
(viii) Portfolio Investment Abroad country-wise

Table 10

COUNTRY	Dec31, 2007	Dec31, 2008
---------	-------------	-------------

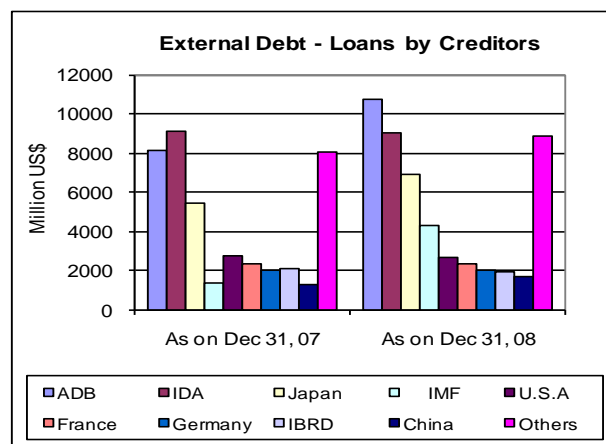
	Stock Position	% share	Stock Position	% share	% change in 2008
Saudi Arabia	228.9	69.4	70.8	50.1	(69.1)
Sri Lanka	20.2	6.1	20.0	14.2	(0.6)
U.A.E	13.5	4.1	13.8	9.7	1.9
Others	67.3	20.4	36.8	26.0	(45.3)
<b>Total</b>	<b>329.9</b>	<b>100.0</b>	<b>141.4</b>	<b>100.0</b>	<b>(57.1)</b>

Portfolio investment abroad is mainly concentrated in Saudi Arabia and Sri Lanka with 50 percent and 14 percent share in overall PI stock which decreased by 70 percent and 1 percent respectively during at December 2008 as compared to end 2007. Overall PI abroad decreased by 57 percent.



IDA	9,164.7	21.4	9,088.0	17.9	(0.8)
Japan	5,508.6	12.8	6,961.9	13.7	26.4
IMF	1,381.0	3.2	4,352.0	8.6	215.1
U.S.A	2,739.8	6.4	2,696.3	5.3	(1.6)
France	2,334.5	5.4	2,346.0	4.6	0.5
Germany	2,036.9	4.8	2,023.9	4.0	(0.6)
IBRD	2,091.5	4.9	1,951.0	3.8	(6.7)
China	1,326.4	3.1	1,747.0	3.4	31.7
Others	8,161.4	19.0	8,857.1	17.4	8.5
<b>Total</b>	<b>42,875.4</b>	<b>100.0</b>	<b>50,823.6</b>	<b>100.0</b>	<b>18.5</b>

External debt from ADB which has 21 percent share in overall external debt of Pakistan increased by 33 percent during at December 2008 as compared to end 2007. The loan from IMF having only 9 percent share increased from US\$1,381 million to US\$4,352 million with a net increase of US\$2,866.1 million during the year 2008. The loan of US\$ 3,050 million from IMF regarding stand-by arrangements (SBA) was received during the year 2008. Debt from China has increased by 32 percent with a net increase of US\$388 million during the year. Overall external debt of Pakistan increased by 19 percent during the year.



(x) External Debt by Sector, Type and Maturity

(ix) External Debt by Creditors

Table 11

Creditors	Dec31, 2007		Dec31, 2008		% change in 2008
	Stock Position	% share	Stock Position	% share	
ADB	8,130.7	19.0	10,800.4	21.3	32.8

External debt by sector type and maturity reveals that general government loans increased from US\$38,127.2 million to US\$41,807.5 million in which short term loans increased from US\$1,001.2 to US\$1,113.5 million and long term loans increased from US\$34,405 million to US\$38,100.0 million. The reason of increase is mainly due

to valuation changes which contributed US\$ 2,534 million during the year.

The monetary authority loans increased from US\$2,111.0 million to US\$5,582.0 million which has long term loan of US\$4,382.0 million including stand-by arrangement (SBA) amount of US\$ 3,050 million from IMF (table-6.1).

**(xi) External Debt Servicing by Creditors**

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$1,085.8 million in which US\$603.2 million was principal amount and US\$482.6 million interest during the year 2008. Major repayments were made to U.S.A, Japan and Netherlands amounting to US\$295.1 million, US\$173.3 million and US\$171.0 million. Most of Multilaterals repayments were made to IDB, ADB, IBRD, IDA and IMF amounting to US\$837.7 million, US\$510.5 million, US\$384.5 million, US\$231.9 million and US\$212.1 million during the year 2008 (table-6.5).

**(xii) Reserve Assets**

Reserve assets reflect that monetary gold increased from US\$1,732.0 million to US\$1,791.0 million with an increase of 3.0 percent during 2008. The reason of increase is due to valuation changes. Special Drawing Rights (SDR) decreased from US\$215.0 million to US\$183.0 million during the year. Foreign exchange decreased from US\$13,524.0 to US\$7,660.0 with a decrease of US\$5,864.0 million (43.0 percent) during the year 2008 (table7).

