

## 1. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -52,298 million at the end of 2008 to US\$ -54,535 million at year end 2009 thus reflecting a net increase in liabilities of US\$ 2,236 million or 4.28 percent. External financial assets recorded a healthy increase of 29.9 percent from US\$17,993 million in 2008 to US\$ 23,373 million in 2009. This increase was mainly due to 49.9 percent rise in foreign exchange reserves over the year 2008. It is evident from Table-1 that direct and portfolio investment abroad which constitute 8.6 percent of the total assets decreased by US\$ 99 million or 4.7 percent during the year 2009. The decrease in direct and portfolio investment abroad was mainly on account of fall in capital of overseas branches or subsidiaries of Pakistanis companies.

Other investment which accounted for 26.5 percent of the total assets, comprise of trade credits, loans, currency and deposits. Trade credits which constitute 49.8 percent of other investment assets showed a slight increase of 0.6 percent during the year 2009. Currency and deposits with 29.2 % share in other investment also declined by US\$ 161 million from US\$ 1,971 million to US\$ 1,810 million or 8.2 percent during the year 2009.

Reserve assets that include foreign exchange reserves and monetary gold as major components and constitute almost 64.8 percent of the total assets witnessed a remarkable improvement during the year 2009. Its share increased by 57.2 percent or US\$ 5,507 million during 2009. Foreign exchange reserves which hold 75.8% of the reserve assets recorded substantial increase of US\$ 3,820 million or 49.9 percent over the previous year. Similarly, monetary gold which is 15.1 percent of the reserve

assets increased by 27.6 percent during the year 2009 due to valuation changes.

**Table1: International Investment Position 2009**

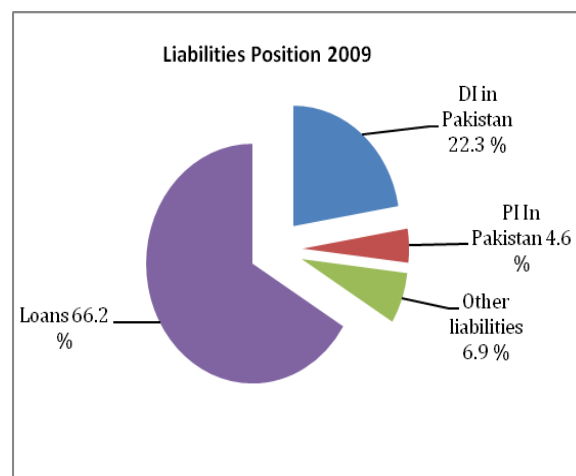
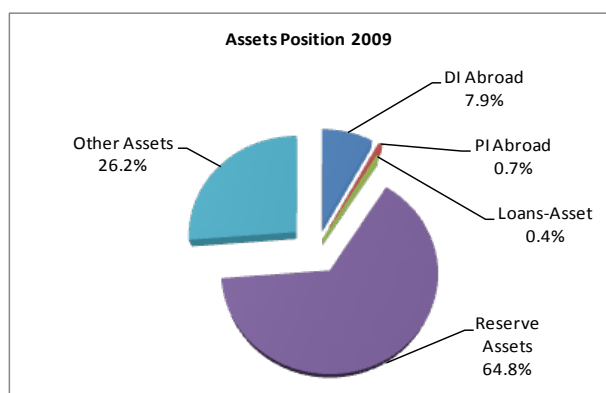
Million US\$

	31-Dec-08		31-Dec-09	
	Stock Position	% Share	Stock Position	% Share
<b>International Investment Position - net</b>	<b>(52,298)</b>		<b>(54,535)</b>	
<b>A. Assets</b>	<b>17,993</b>	<b>100.0</b>	<b>23,373</b>	<b>100.0</b>
<b>1. Direct investment abroad</b>	<b>1,960</b>	<b>10.9</b>	<b>1,850</b>	<b>7.9</b>
1.1 Equity capital and reinvested earnings	1,915	10.6	1,797	7.7
1.2 Other capital	45	0.3	54	0.2
<b>2. Portfolio investment</b>	<b>142</b>	<b>0.8</b>	<b>153</b>	<b>0.7</b>
2.1 Equity securities	108	0.6	120	0.5
2.2 Debt securities	34	0.2	33	0.1
<b>3. Financial derivatives</b>	<b>0</b>	<b>0.0</b>	<b>27</b>	<b>0.1</b>
<b>4. Other investment</b>	<b>6,258</b>	<b>34.8</b>	<b>6,203</b>	<b>26.5</b>
4.1 Trade credits	3,072	17.1	3,090	13.2
4.2 Loans	95	0.5	99	0.4
4.3 Currency and deposits	1,971	11.0	1,810	7.7
4.4 Other assets*	1,120	6.2	1,204	5.2
<b>5. Reserve assets</b>	<b>9,633</b>	<b>53.5</b>	<b>15,140</b>	<b>64.8</b>
5.1 Monetary gold	1,791	10.0	2,286	9.8
5.2 Special drawing rights	183	1.0	1,375	5.9
5.3 Reserve position in the Fund	0	0.0	0	0.0
5.4 Foreign exchange	7,659	42.6	11,479	49.1
5.5 Other claims				
<b>B. Liabilities</b>	<b>70,291</b>	<b>100.0</b>	<b>77,908</b>	<b>100.0</b>
<b>1. Direct investment in Pakistan<sup>+</sup></b>	<b>16,473</b>	<b>23.4</b>	<b>17,386</b>	<b>22.3</b>
<b>2. Portfolio investment</b>	<b>4,723</b>	<b>6.7</b>	<b>3,548</b>	<b>4.6</b>
2.1 Equity securities	1,798	2.6	1,258	1.6
2.2 Debt securities	2,925	4.2	2,290	2.9
<b>3. Financial derivatives</b>	<b>0</b>	<b>0.0</b>	<b>57</b>	<b>0.1</b>
<b>4. Other investment</b>	<b>49,095</b>	<b>69.8</b>	<b>56,917</b>	<b>73.1</b>
4.1 Trade credits	439	0.6	1,365	1.8
4.2 Loans	46,602	66.3	51,605	66.2
4.3 Currency and deposits	1,606	2.3	2,130	2.7
4.4 Other liabilities	448	0.6	1,817	2.3
* includes the unsettled claims on India.				
+ Based on enterprise survey data. Data has been revised during August 2011				

Though overall liabilities of Pakistan in 2008 decreased, but it registered an increase of US\$ 7,616 million and stood at US\$ 77,908 million in 2009

against US\$70,291 million in 2008. This increase in liabilities is the result of higher government borrowing. Item wise analysis on liabilities side indicates that direct and portfolio investment in Pakistan which are 22.3 and 4.6 percent of the total liabilities increased from US\$16,473 million to US\$17,386 million and in absolute term by US\$913 million or 5.54 percent and from US\$ 4,723 million to US\$ 3,548 million by US\$ 1,175 million or 24.9 percent respectively during the year 2009. The sharp decrease in portfolio investment in Pakistan was occurred on account of fall in equity and debt securities investment, which contributes 45.9 and 54.1 percent of total decrease of US\$ 1,175 million respectively /during the year under review.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 90.7 percent and 3.7 percent share in other investment respectively. The loans remain a major contributor which account for 66.2 percent of the total liabilities of Pakistan in the year 2009. These have increased from US\$ 46,602 million to US\$ 51,605 million or by US\$ 5,003 million and 10.7 percent over the previous year.



## Functional types of investment

### (i) Foreign direct investment in Pakistan by economic group

FDI stock in Financial Sector posted a sharp reversal from a decline of US\$3,202.8 million in the year 2008 to an increase of US\$ 568.2 million in the year 2009. The stock of FDI in Financial Sector stood at US\$4,399.3 million or 26.7 percent of overall FDI stock in 2009 against the stock of US\$ 3,831.1 million or 23.3 percent of overall stock in the year 2008. This rise is the result on account of net inflow in FDI stock of US\$516.3 million during the year 2009. FDI stock in communication sector witnessed huge increase by 20.8 percent. Net inflows in this sector stood at US\$ 445.6 million. The FDI stock of Oil & Gas Exploration and Power Sectors also recorded decrease from US\$ 1,706.5 million and US\$ 1,563.0 million to US\$ 1492.6 million or 12.5 percent and US\$ 1,142.3 or 26.9 percent respectively during the year under review .

33.2 percent and 17.9 percent during the year 2009. Cayman Island stood at fourth place with respect to FDI stock in 2009 and also showed a prominent increase of almost 3 folds in 2009.

**Table-2 FDI in Pakistan by economic group**

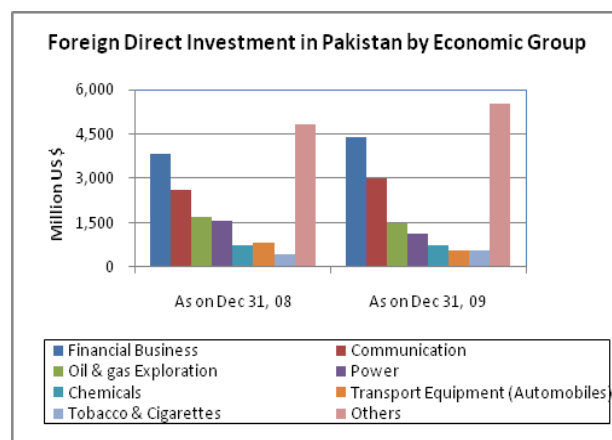
Million US\$

ECONOMIC GROUP	December 31, 2008		December 31, 2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	3,831.1	23.3	4,399.3	26.7	14.8
Communication	2,593.3	15.7	2,979.2	17.1	14.88
Oil & gas Exploration	1,706.5	10.4	1,492.6	9.1	(12.5)
Power	1,563.0	9.5	1,142.3	6.9	(26.9)
Chemicals	708.9	4.3	717.9	4.4	1.3
Transport Equipment (Automobiles)	823.3	5.0	573.4	3.5	(30.4)
Tobacco & Cigarettes	419.7	2.5	535.5	3.3	27.6
Others	4,827	29.3	5,545.8	31.4	7.0
<b>Total</b>	<b>16,472.9</b>	<b>100.0</b>	<b>17,386.0</b>	<b>100.0</b>	<b>5.54</b>

**Table-3 FDI in Pakistan by country**

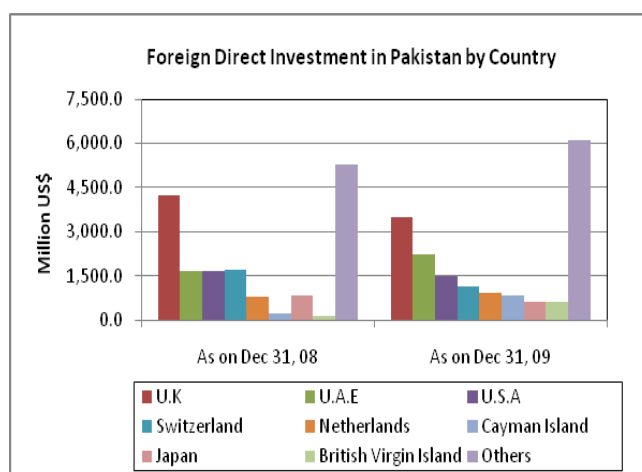
Million US\$

Country	December 31, 2008		December 31, 2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
U.K	4,241.7	25.7	3,470.5	20.0	-18.2
U.A.E	1,663.9	10.1	2,216.6	12.7	26.9
U.S.A	1,638.5	9.9	1,478.9	8.5	-9.7
Switzerland	1,707.8	10.4	1,125.8	6.5	-34.1
Netherlands	787.3	4.8	928.1	5.3	17.9
Cayman Island	224.0	1.4	835.2	4.8	272.9
Japan	812.9	4.9	628.1	3.6	-22.7
British Virgin Island	114.9	0.7	607.5	3.5	428.7
Others	5,281.9	32.1	6,095.5	35.1	-0.1
<b>Total</b>	<b>16,472.9</b>	<b>100.0</b>	<b>17,386.2</b>	<b>100.0</b>	<b>-0.1</b>



**(ii) Foreign direct investment in Pakistan by country**

UK has major share in the FDI stock in Pakistan followed by UAE, USA and Switzerland. However FDI from UK, USA and Switzerland decreased in 2009 by 18.2, 9.7 and 34.1 respectively. On the other side FDI stock of U.A.E and Netherlands rose by



**(iii) Direct investment abroad by economic group**

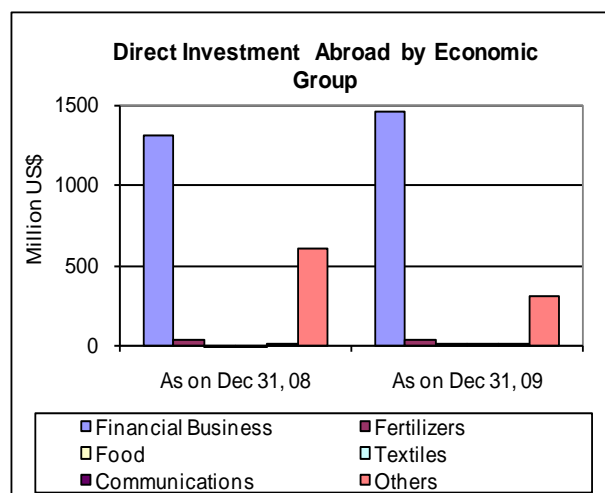
Item wise analysis indicates that Financial Business recorded 79.2 percent share in overall stock of direct investment abroad. The investment by this sector has increased by 12.0 percent during 2009 as compared

to 2008. Majority of the stock comprise of Pakistani bank's capital in their overseas branches. Fertilizers sector stood at second position in the stock of DI abroad with 1.9 percent share. The growth in the stock of DI abroad by this sector is recorded as 8.4 percent. Other sectors have less significant contribution in the overall stock of DI abroad. Overall DI abroad decreased by 5.6 percent.

**Table-4 Direct Investment abroad by economic group**

Million US\$

ECONOMIC GROUP	December 31,2008		December 31,2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	1,308.6	66.8	1,465.8	79.2	12.0
Fertilizers	32.2	1.6	34.9	1.9	8.4
Food	1.4	0.1	18.2	1.0	1200.0
Textiles	2.3	0.1	9.8	0.5	326.1
Communications	10.1	0.5	6.3	0.3	(37.6)
Others	605.0	30.9	315.1	17.0	(47.9)
<b>Total</b>	<b>1,959.6</b>	<b>100.0</b>	<b>1,850.1</b>	<b>100.0</b>	<b>(5.6)</b>



**(iv) Direct investment abroad by country**

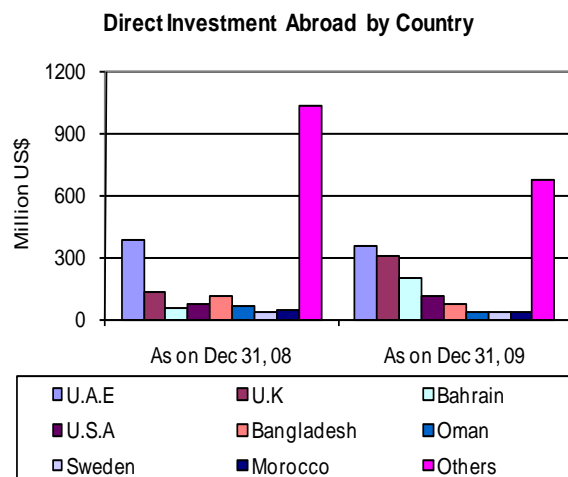
Direct investment abroad is mainly concentrated in U.A.E, U.K, Bahrain and U.S.A and the investment

in these countries collectively increased from US\$ 656.0 million to US\$ 987.3 million or by 50.5 percent during the year. Major increase of 273.3 percent has been recorded in DI in Bahrain during the year 2009.

**Table-5 Direct investment abroad by country**

Million US\$

Country	December 31,2008		December 31,2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
U.A.E	385.0	19.6	355.5	19.2	(7.7)
U.K	140.2	7.2	308.3	16.7	119.9
Bahrain	55.0	2.8	205.3	11.1	273.3
U.S.A	75.8	3.9	118.2	6.4	55.9
Bangladesh	114.9	5.9	80.8	4.4	(29.7)
Oman	66.0	3.4	39.3	2.1	(40.5)
Morocco	52.2	2.7	34.9	1.9	(33.1)
Sweden	36.0	1.8	34.7	1.9	(3.6)
Others	1,034.5	52.8	673.1	36.4	(34.9)
<b>Total</b>	<b>1,959.6</b>	<b>100.0</b>	<b>1,850.1</b>	<b>100.0</b>	<b>(5.6)</b>



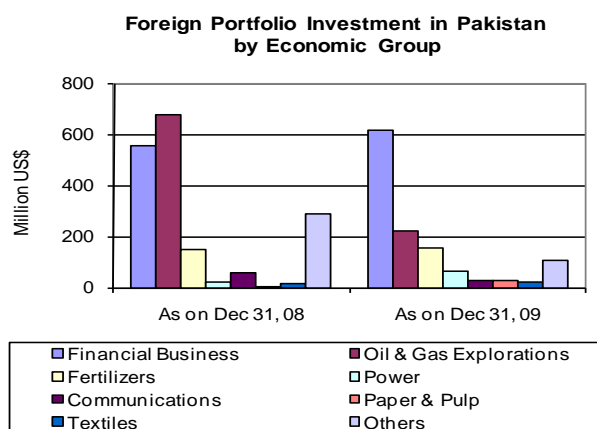
**(v) Foreign portfolio investment in Pakistan by economic group**

Economic group wise analysis reveals that main recipient of short term portfolio investment are financial business and Oil & gas exploration with 49.1 and 17.7 percent share in overall portfolio investment in

Pakistan. The stock in financial Business, fertilizers, power, paper & pulp and textile sectors witnessed increase whereas the rest of the sectors observed decrease during the year under review. During the year overall FPI in Pakistan decreased by 30.0 percent from US\$ 1,797.5 million to US\$ 1,257.9 million.

**Table-6 FPI in Pakistan by economic group**

Economic Group	Million US\$				
	December 31,2008		December 31, 2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	558.3	31.1	617.9	49.1	10.7
Oil & gas Exploration	679.0	37.8	222.1	17.7	(67.3)
Fertilizers	152.7	8.5	155.7	12.4	2.0
Power	27.1	1.5	68.7	5.5	153.5
Communications	63.2	3.5	31.7	2.5	(49.8)
Paper & pulp	9.0	0.5	27.9	2.2	210.0
Textiles	15.8	0.9	22.4	1.8	41.8
Others	292.5	16.3	111.5	8.9	(61.9)
<b>Total</b>	<b>1,797.5</b>	<b>100.0</b>	<b>1,257.9</b>	<b>100.0</b>	<b>(30.0)</b>



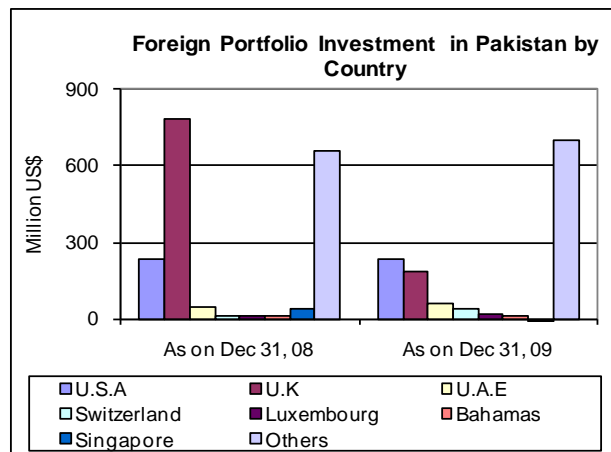
#### (vi) Foreign portfolio investment in Pakistan by country

Country wise foreign portfolio investment in Pakistan indicates that USA and U.K are the two main investors with 18.6 and 14.8 percent share in overall portfolio investment in the country. Collective stock

from these countries witnessed sharp declined by 58.6 percent during the year. Comparatively higher net inflows have been recorded from U.A.E during 2009 for portfolio investment.

**Table-7 FPI in Pakistan by country**

Million US\$					
Country	December 31,2008		December 31,2009		%  change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
U.S.A	236.8	13.2	234.2	18.6	(1.1)
U.K	779.0	43.3	186.7	14.8	(76.0)
U.A.E	45.8	2.5	63.0	5.0	37.6
Switzerland	12.7	0.7	38.7	3.1	204.7
Luxembourg	14.7	0.8	18.4	1.5	25.2
Bahamas	13.1	0.7	14.3	1.1	9.2
Singapore	39.9	2.2	0.1	0.0	(99.2)
Others	655.4	36.5	702.4	55.8	7.2
Total	1,797.5	100.0	1,257.9	100.0	(30.0)



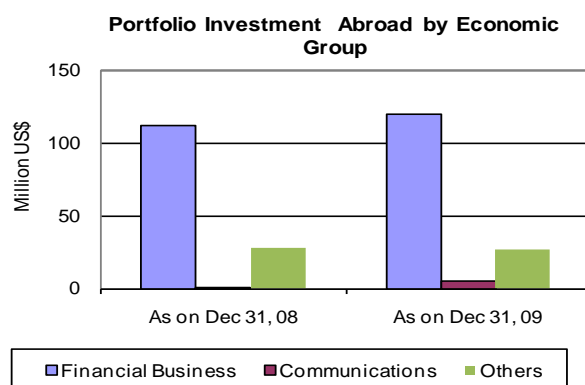
#### (vii) Portfolio investment abroad by economic group

Sector wise analysis shows that Financial Business recorded 78.4 percent share in overall stock of portfolio investment abroad. The investment by the sector slightly increased by 6.5 percent at the end of December 2009 as compared to end 2008. Communication sector remained second in the stock

of PI abroad with 3.8 percent share. Almost 5 folds increases recorded in the stock of PI abroad by the sector in 2009. Overall PI abroad increased by 8.3 percent.

**Table-8 Portfolio Investment abroad by economic group**  
Million US\$

Economic Group	December 31, 2008		December 31, 2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	112.7	79.7	120.0	78.4	6.5
Communications	0.8	0.6	5.8	3.8	625.0
Transport	0.4	0.3	0.5	0.3	25.0
Others	27.5	19.4	26.9	17.6	(2.2)
<b>Total</b>	<b>141.4</b>	<b>100.0</b>	<b>153.1</b>	<b>100.0</b>	<b>8.3</b>

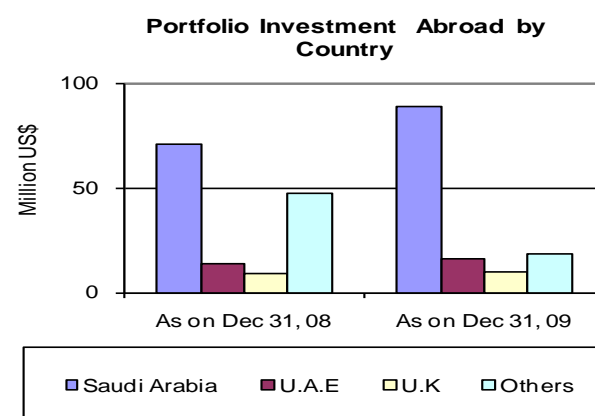


#### (viii) Portfolio investment abroad by country

Portfolio investment abroad is mainly concentrated in Saudi Arabia and U.A.E with 58.5 percent and 10.6 percent share in overall PI stock which increased by 26.4 percent and 17.4 percent respectively during the year 2009.

**Table-9 Portfolio investment abroad by country**  
Million US\$

Country	December 31, 2008		December 31, 2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
Saudi Arabia	70.8	50.1	89.5	58.5	26.4
U.A.E	13.8	9.8	16.2	10.6	17.4
U.K	9.4	6.6	10.5	6.9	11.7
Austria	7.8	5.5	9.4	6.1	20.5
U.S.A	6.2	4.4	8.5	5.6	37.1
Others	47.4	33.5	19.1	12.5	(59.7)
<b>Total</b>	<b>141.4</b>	<b>100.0</b>	<b>153.1</b>	<b>100.0</b>	<b>8.3</b>



#### (ix) External debt – loans by creditors

External debt analysis reveals that ADB having 20.4 percent share in overall external debt of Pakistan increased by 5.5 percent during 2009 as compared to 2008. The IMF financing having 13.5 percent share in total external debt increased from US\$ 4,352.0 million to US\$ 7,494.0 million or in absolute terms by US\$ 3,142.0 million during the year 2009. Debt from China has increased by 47.1 percent with a net increase of US\$ 822.0 million during the year. Overall external debt of Pakistan witnesses increase of 9.5 percent during the year 2009.

**Table-10 external debt by creditor**

Million US\$

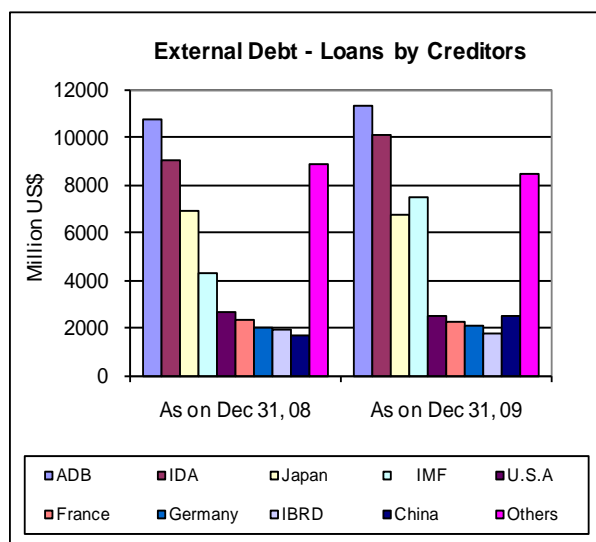
	December 31, 2008		December 31, 2009		% change in 2009
	Stock Position	% of Share	Stock Position	% of Share	
ADB	10,763.0	21.2	11,358.7	20.4	5.5
IDA	9,088.0	17.9	10,110.0	18.2	11.2
Japan	6,961.9	13.7	6,769.7	12.2	(2.8)
IMF	4,352.0	8.6	7,494.0	13.5	72.2
U.S.A	2,696.3	5.3	2,533.9	4.6	(6.0)
France	2,346.0	4.6	2,309.0	4.2	(1.6)
Germany	2,023.9	4.0	2,146.5	3.9	6.1
IBRD	1,951.0	3.8	1,805.0	3.2	(7.5)
China	1,747.0	3.4	2,569.0	4.6	47.1
Others	8,857.1	17.4	8,509.6	15.3	(3.9)
<b>Total</b>	<b>50,786.2</b>	<b>100.0</b>	<b>55,605.4</b>	<b>100.0</b>	<b>9.5</b>

**(xi) External debt servicing by creditors**

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,058.9 million in which US\$ 651.9 million was principal amount and US\$ 407.0 million interest during the year 2009. Major repayments were made to U.S.A, Netherlands and U.K amounting to US\$290.3 million, US\$148.9 million and US\$111.0 million. Most of Multilaterals repayments were made to ADB, IDB, IMF, IBRD, and IDA amounting to US\$ 598.4 million, US\$ 490.5 million, US\$ 320.0 million, US\$302.9 million and US\$233.5 million during the year 2009.

**(xii) Reserve assets**

Reserve assets reflect that monetary gold increased from US\$ 1,791.0 million to US\$ 2,285.5 million with an increase of 27.6 percent during 2009. The increase is the result on account of Special Drawing Rights (SDR) which is sharply increased from US\$183.0 million to US\$1,375.0 million during the year. Similarly Foreign exchange also increased from US\$ 7,659.0 to US\$11,478.9 million or in absolute term to US\$ 3,819.9 million (49.9 percent) during the year 2009.

**(x) External debt by sector, type and maturity**

External debt by sector type and maturity reveals that general government loans increased from US\$ 41,807.5 million to US\$ 44,471.0 million in which short term loans decreased from US\$1,113.5 to US\$ 422.0 million (included Short term US \$ 100.0 million BOC deposit) and long term loans increased from US\$ 38,100.0 million to US\$ 41,974.0 million.

