

## 2. Review of IIP 2011

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -59,165 million at the end of 2010 to US\$ -59,824 million at year end 2011, thus reflecting a net increase in liabilities of US\$ 659 million or 1.1 percent. External financial assets recorded an increase of 1.6 percent from US\$ 26,158 million in 2010 to US\$ 26,574 million in 2011. This increase was mainly due to 10.3 percent rise in other investment (includes trade credits, loans, currency and deposits and other assets) during the year 2011. It is evident from Table-1 that direct and portfolio investment abroad which constitute 6.0 percent of the total assets increased by US\$ 57 million or 3.7 percent during the year 2011.

Other investment which accounted for 27.6 percent of the total assets, comprise of trade credits, loans, currency & deposits and other assets. Trade credits which constitute 58.9 percent of other investment assets showed an increase of 28.4 percent during the year 2011. However, Currency and deposits with 21.8 percent share in other investment declined by US\$ 38 million from US\$ 1,636 million to US\$ 1,598 million or 2.3 percent during the year 2011.

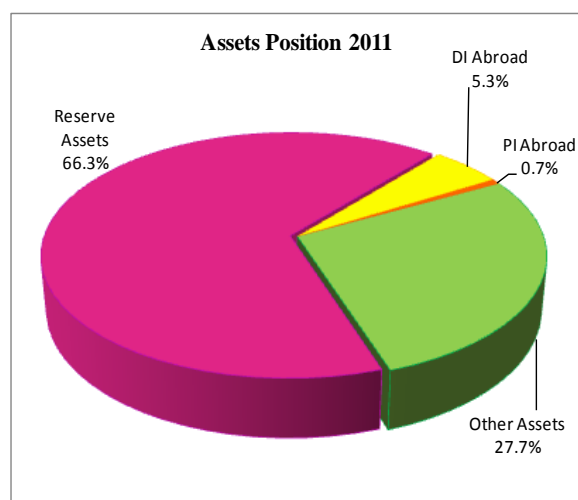
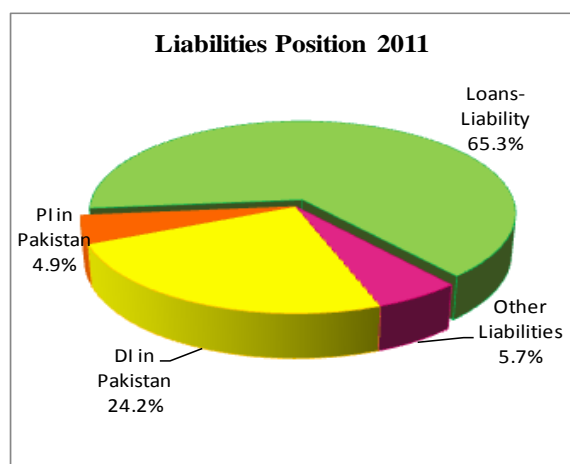
Reserve assets that include foreign exchange reserves and monetary gold as major components constitute almost 66.3 percent of the total assets declined by 1.8 percent during the year 2011. However, monetary gold which is 18.0 percent of the reserve assets increased by 8.9 percent during the year 2011 due to valuation changes. Foreign exchange reserves which hold 76.1 percent of the reserve assets recorded decrease of US\$ 409 million or 3.0 percent over the previous year.

**Table1: International Investment Position 2011**

Item	(Million US\$)			
	31-Dec-10		31-Dec-11	
	Stock Position	% Share	Stock Position	% Share
<b>International Investment Position - net</b>	<b>(59,165)</b>		<b>(59,824)</b>	
<b>A. Assets</b>	<b>26,158</b>	<b>100.0</b>	<b>26,574</b>	<b>100.0</b>
1. Direct investment abroad	1,362	5.2	1,401	5.3
2. Portfolio investment	177	0.7	195	0.7
3. Financial derivatives	20	0.1	25	0.1
4. Other investment	6,649	25.4	7,332	27.6
4.1 Trade credits	3,365	12.9	4,320	16.3
4.2 Loans	102	0.4	105	0.4
4.3 Currency and deposits	1,636	6.3	1,598	6.0
4.4 Other assets	1,547	5.9	1,309	4.9
5. Reserve assets	17,949	68.6	17,621	66.3
of which : Monetary gold	2,910	11.1	3,170	11.9
<b>B. Liabilities</b>	<b>85,323</b>	<b>100</b>	<b>86,398</b>	<b>100.0</b>
1. Direct investment in Pakistan	19,829	23.2	20,916	24.2
2. Portfolio investment	4,488	5.3	4,216	4.9
3. Financial derivatives	51	0.1	41	0.0
4. Other investment	60,955	71.4	61,225	70.9
4.1 Trade credits	1,551	1.8	675	0.8
4.2 Loans	55,192	64.7	56,384	65.3
4.3 Currency and deposits	2,243	2.6	2,377	2.8
4.4 Other liabilities	1,968	2.3	1,790	2.1

The overall liabilities of Pakistan in 2011 registered an increase of US\$ 1,075 million and stood at US\$ 86,398 million in 2011 against US\$ 85,323 million during the year 2010. Item wise analysis on liabilities side indicates that direct investment in Pakistan which is 24.2 percent of the total liabilities increased from US\$ 19,829 million to US\$ 20,916 million and in absolute term by US\$ 1,087 million or 5.5 percent whereas portfolio investment in Pakistan decreased from US\$ 4,488 million to US\$ 4,216 million by US\$ 272 million or 6.1 percent during the year 2011.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 92.1 percent and 3.9 percent share in other investment respectively. The loans remain a major contributor which account for 65.3 percent of the total liabilities of Pakistan in the year 2011. These have increased from US\$ 55,192 million to US\$ 56,384 million or by US\$ 1,192 million and 2.2 percent over the previous year.



### Functional types of Investment:

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

The stock of FDI in financial sector stood at US\$ 4,228.6 million or 20.2 percent of overall FDI stock in 2011 against the stock of US\$ 4,669.6 million or 23.5 percent of overall stock in the year 2010. FDI stock in communication sector witnessed significant increase by 31.6 percent. Although net inflows in this sector stood at US\$ -229.2 million but other changes of telecom sector caused the increase in stock position of FDI in this sector. The FDI stock of oil & gas exploration and food sectors recorded increase from US\$ 2,321.9 million to US\$ 2,581.0 million or 11.2 percent and US\$ 1,764.3 million to US\$ 2,276.5 million or 10.9 percent respectively during the year. The increase in the FDI stock of oil & gas and food sector is on account of net inflows of US\$ 607.6 million and US\$ 584.6 million due to price changes respectively during the year 2011.

**Table 2: FDI by Economic Group**  
(Million US\$)

ECONOMIC GROUP	As on Dec 31, 2010		As on Dec 31, 2011		% change in 2011
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	4,669.6	23.5	4,228.6	20.2	(9.4)
Communication	2,939.6	14.8	3,867.3	18.5	31.6
Oil & gas Exploration	2,321.9	11.7	2,581.0	12.3	11.2
Food	1,764.3	8.9	2,276.5	10.9	29.0
Power	1,423.5	7.2	1,211.0	5.8	(14.9)
Chemicals	924.1	4.7	805.0	3.8	(12.9)
Trade	764.6	3.9	781.2	3.7	2.2
Others	5,021.1	25.3	5,165.3	24.7	2.9
<b>Total</b>	<b>19,828.7</b>	<b>100.0</b>	<b>20,916.0</b>	<b>100.0</b>	<b>5.5</b>

#### (ii) Foreign Direct Investment (FDI) in Pakistan by Immediate Partner Country:

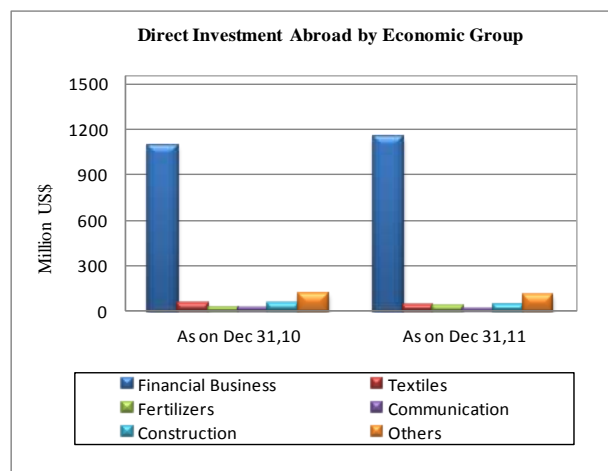
UK has major share in the FDI stock in Pakistan followed by Switzerland, USA, and UAE. Overall FDI stock particularly from Switzerland, Netherlands and China increased in 2011 by 19.4, 30.4 and 8.5 percent respectively.

**Table 3: FDI by Immediate Partner Country**  
(Million US\$)

Country	As on Dec 31, 2010		As on Dec 31, 2011		% change in 2011
	Stock Position	% of Share	Stock Position	% of Share	
U.K	4,076.5	20.6	4,388.8	21.0	7.7
Switzerland	2,680.9	13.5	3,199.7	15.3	19.4
U.S.A	1,534.4	7.7	1,687.6	8.1	10.0
U.A.E	2,480.8	12.5	1,644.1	7.9	(33.7)
Netherlands	1,056.6	5.3	1,377.5	6.6	30.4
China	974.1	4.9	1,056.5	5.1	8.5
Norway Cayman Island	109.7	0.6	797.4	3.8	626.7
Others	626.9	3.2	639.2	3.1	2.0
<b>Total</b>	<b>19,828.7</b>	<b>100.0</b>	<b>20,916.0</b>	<b>100.0</b>	<b>5.5</b>

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

Item wise analysis indicates that financial business recorded 82.0 percent share in overall stock of direct investment abroad. The investment by this sector has increased by 5.2 percent during 2011 as compared to 2010. Majority of the stock comprise of Pakistani bank's capital in their overseas branches. Fertilizer sector stood second which is increased by 36.1 percent as compared to previous year. However, textile sector witnessed decreased of 16.0 percent during the year 2011. Other sectors have less significant contribution in the overall stock of DI abroad. Overall DI abroad increased by 2.9 percent.

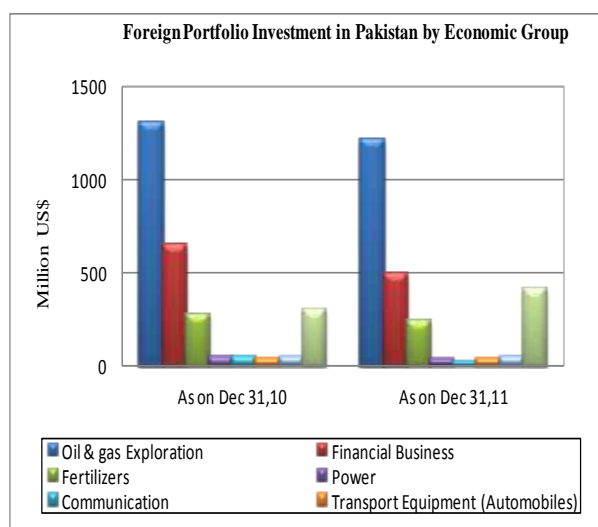


### (iv) Direct Investment Abroad by Country

Direct investment abroad is mainly concentrated in UAE, UK, Bangladesh and Qatar. Investment in Bangladesh substantially increases from US\$ 112.6 million to US\$ 162.1 million or by 44.0 percent during the year. Major decrease of 14.0 percent has been recorded in DI in USA during the year 2011.

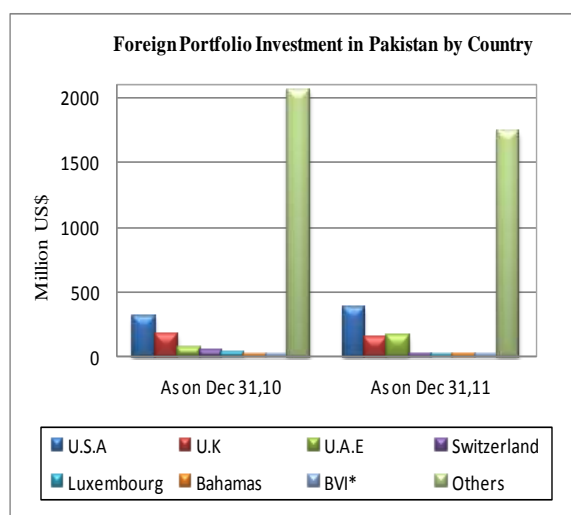
### (v) Foreign Portfolio Investment in Pakistan by Economic Group

Economic group wise analysis reveals that FPI in Pakistan marginally decreased by 7.9 percent from US\$ 2,750.9 million to US\$ 2,533.8 million. This is mainly due to decrease of 7.0 and 22.9 percent in Oil & gas exploration and financial business with 48.0 and 19.8 percent share in overall portfolio investment in Pakistan. Moreover, portfolio investment in food and cement sector also witnessed positive growth.



#### (vi) Foreign Portfolio Investment in Pakistan by Country

Country wise foreign portfolio investment in Pakistan indicates that USA and UAE are the two main investors with 15.0 and 6.3 percent share in overall portfolio investment in the country. Collective stock from these countries witnessed substantial increase of 40.8 percent during the year. Contrarily, decrease of 46.7 percent from US\$ 53.8 million to US\$ 28.7 million has been recorded from Switzerland during 2011.

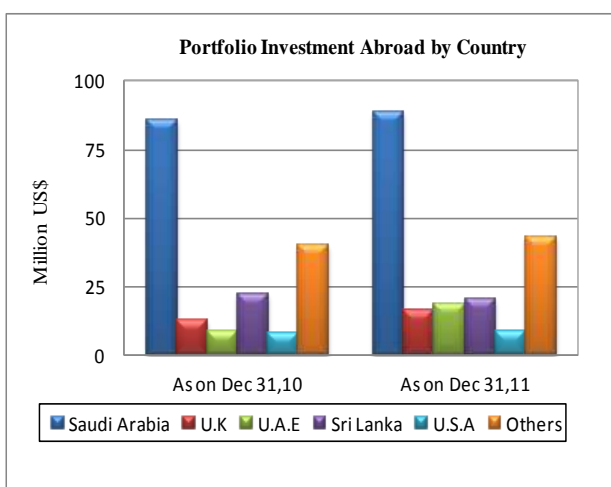


#### (vii) Foreign Portfolio Investment Abroad by Economic Group

Sector wise analysis shows that Financial Business recorded 99.4 percent share in overall stock of portfolio investment abroad. The investment by this sector significantly increased by 30.8 percent at the end of December 2011 as compared to end 2010. Overall PI abroad increased by 10.7 percent from US\$ 176.7 million to 195.7 million during the year 2011.

**Table-4 Portfolio Investment Abroad by Economic Group (Million US\$)**

Economic Group	As on Dec 31, 2010		As on Dec 31, 2011		% change in 2011
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	148.7	84.2	194.5	99.4	30.8
Communication	0.7	0.4	0.7	0.4	0.0
Transport	0.5	0.3	0.5	0.3	0.0
Others	26.7	15.1	0.0	0.0	(100.0)
<b>Total</b>	<b>176.7</b>	<b>100.0</b>	<b>195.7</b>	<b>100.0</b>	<b>10.7</b>



#### (viii) Foreign Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in Saudi Arabia with 45.4 percent share in overall PI stock. Further, portfolio investment in U.A.E and British Virgin Islands also increased substantially.

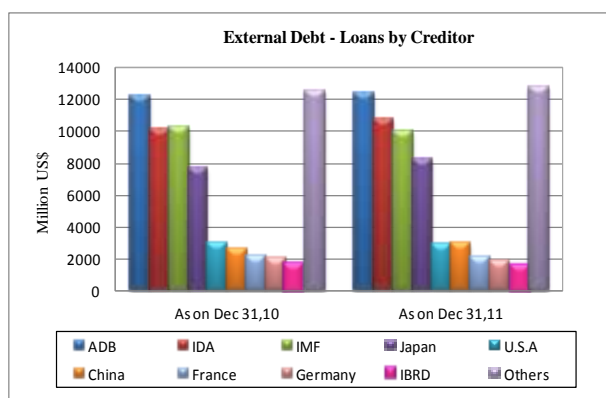
**(ix) External Debt- Loans by Creditors**

External debt analysis reveals that ADB having 18.9 percent share in overall external debt of Pakistan increased by 1.3 percent during 2011 as compared to 2010. The IMF financing having 15.1 percent share in total external debt decreased from US\$ 10,258.0 million to US\$ 9,961.6 million or in absolute terms by US\$ 296.5 million during the year 2011. Debt from China has increased by 15.5 percent with an increase of US\$ 403.9 million during the year. Overall external debt of Pakistan witnessed increase of 2.1 percent during the year 2011.

<b>Table 5: External Debt by Creditor</b> (Million US\$)					
<b>CREDITOR</b>	As on Dec 31, 2010		As on Dec 31, 2011		% change in 2011
	Stock Position	% of Share	Stock Position	% of Share	
ADB	12,263.0	19.0	12,425.5	18.9	1.3
IDA	10,151.0	15.8	10,809.6	16.4	6.5
IMF	10,258.0	15.9	9,961.6	15.1	(2.9)
Japan	7,667.6	11.9	8,210.9	12.5	7.1
U.S.A	3,026.7	4.7	2,882.9	4.4	(4.8)
China	2,602.0	4.0	3,005.9	4.6	15.5
France	2,176.5	3.4	2,109.5	3.2	(3.1)
Germany	2,005.1	3.1	1,910.7	2.9	(4.7)
IBRD	1,695.0	2.6	1,634.0	2.5	(3.6)
Others	12,541.2	19.5	12,803.1	19.5	2.1
<b>Total</b>	<b>64,386.1</b>	<b>100.0</b>	<b>65,753.6</b>	<b>100.0</b>	<b>2.1</b>

**x) External Debt by Sector, Type and Maturity**

External debt by sector type and maturity reveals that general government loans increased from US\$ 46,723.0 million to US\$ 47,936.0 million in which



short term loans decreased from US\$ 921.0 to US\$ 396.0 million and long term loans increased from US\$ 45,802.0 million to US\$ 47,540.0 million.

**xi) External Debt Servicing by Creditors**

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,123 million of which US\$ 733.8 million was principal amount and US\$ 389.3 million interest during the year 2011. Major repayments were made to U.S.A, Japan and Netherlands amounting to US\$ 462.5 million, US\$ 201.9 million and US\$ 127.2 million. Most of multilaterals repayments were made to ADB, IMF and IDB amounting to US\$ 801.6 million, US\$ 450.0 million and US\$ 375.2 million respectively during the year 2011.

**(xii) Reserve Assets**

Reserve assets reflect that monetary gold increased from US\$ 2,909.7 million to US\$ 3,170.0 million with an increase of 8.9 percent during 2011. The increase is the result on account of market price (per troy ounce) of gold which is sharply increased from US\$ 1,405.6 million to US\$ 1,530.7 million during

the year. However, Foreign exchange decreased from US\$ 13,809.2 to US\$ 13,400.1 million or in absolute term to US\$ 409.1 million (3 percent) during the year 2011.

**(xiii) Foreign Direct Investment by Ultimate Controlling Parent Country**

State Bank of Pakistan used to compile the stocks and flows of Foreign Direct Investment based on Immediate Partner Country following the guidelines of Balance of Payments fifth manual (BPM5) and Co-ordinated Direct Investment Survey guide. The above guides also recommend collecting information relating to ultimate controlling parent country (UCP) of the investors. While SBP is already compiling flows data on foreign direct investment on UCP basis from July 2011, the stock data has also been compiled on the same lines for users. The table 2.7 shows stocks of foreign direct investment based on ultimate partner country in Pakistan. The country wise data based on UCP is not comparable with data based on immediate partner country on foreign direct investment.

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