

Executive Summary

The annual publication of *International Investment Position of Pakistan* presents Pakistan's foreign liabilities & assets position as on December 31, 2011. The publication is enhanced version of our former publication *Foreign liabilities & assets and foreign investment in Pakistan 2006*. The areas covered in the framework of IIP are direct investment, portfolio investment, financial derivatives and other investment on both liabilities and assets sides while reserves on assets side only. Other investment comprises of trade credits, loans, currency and deposits and other accounts receivable/ payable. Foreign Direct Investment has come out as not only a major source of much needed capital but is also considered to be a major channel for access to advance technologies, organizational and managerial skills. Pakistan being a developing country requires foreign assistance for its developmental projects as well as meeting the saving investment gap. The IIP statement also provides details of all financial assets and liabilities on gross basis and net IIP shows what a country owns and what it owes to the rest of the world.

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -59,165 million on December 31, 2010 to US\$ -59,824 million on December 31, 2011. There is negligible increase of 1.6 percent in external financial assets in 2011. Direct and portfolio investment abroad which is 6.0 percent of the total assets has increased by US\$ 57 million or 3.7 percent during 2011. Reserve assets of Pakistan depicting 66.3 percent share in total assets have decreased by 1.8 percent or US\$ 328 million during 2011. 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 in 2011. On the other hand portfolio investment in Pakistan which is 4.9 percent of the total liabilities has decreased by 6.1 percent from US\$ 4,488 to US\$ 4,216 by US\$ 272 million during the year. The slight decrease in reserves assets and portfolio investment in Pakistan occurred due to prevailing law and order situation in Pakistan and payments to IMF. External loans which account for 65.3 percent of the total liabilities have increased from US\$ 55,192 million to US\$ 56,384 million or by US\$ 1,192 million or 2.2 percent from the previous year.

As part of initiatives for further improving the coverage & data quality the Statistics & DWH department conducts Coordinated Direct Investment Survey (CDIS) on annual basis from year 2009. The CDIS has resulted in the collection of a comprehensive information on direct investment, disaggregated by instruments, by counterpart economies of immediate investors and ultimate controlling parent (UCP) along with the requisite other information needed for IIP compilation. The stock data on FDI based on UCP concept has been prepared for the first time and can be seen at table 2.7. For easy access by the users, the publication is also available on our website <http://www.sbp.org.pk/publications/IIPP/index.htm>