

## 2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -63,759.5 million at the end of 2012 to US\$ -70,782.6 million at year end 2013, thus reflecting a net increase in liabilities of US\$ 7,023.0 million or 11.0 percent. External financial assets recorded a decrease of 27.4 percent from US\$ 23,657.1 million in 2012 to US\$ 17,180.3 million in 2013. This decrease was mainly due to 42.8 percent decline in reserve assets during the year 2013. It is evident from Table-1 that direct and portfolio investment abroad which constitute 12.3 percent of the total assets increased by US\$ 176.8 million or 9.2 percent during the year 2013.

Other investment which accounted for 44.8 percent of the total assets, comprises of trade credits, loans, currency & deposits and other assets. Trade credits which constitute 27.0 percent of other investment assets showed a decrease of 2.2 percent during the year 2013. However, Currency and deposits with 9.2 percent share in other investment decreased by US\$ 489.5 million from US\$ 2,075.2 million to US\$ 1,585.7 million or 23.6 percent during the year 2013.

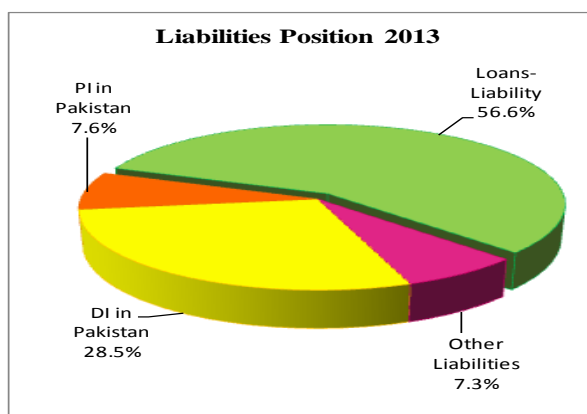
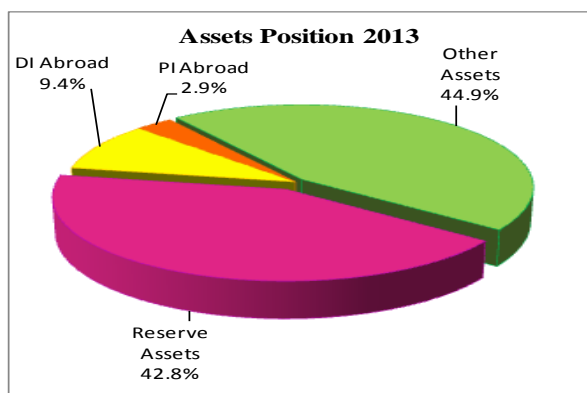
Reserve assets constitute almost 42.8 percent of the total assets declined by 45.7 percent during the year 2013. Foreign exchange and monetary gold are two major components of reserve assets. Monetary gold which is 33.9 percent of the reserve assets decreased by 27.5 percent during the year 2013 due to valuation changes. Foreign exchange reserves which hold 44.4 percent of the reserve assets recorded a decrease of US\$ 4,056.0 million or 55.4 percent over the previous year.

**Table 1. International Investment Position 2013**

(Million US\$)				
Item	31-Dec-12		31-Dec-13	
	Stock Position	% Share	Stock Position	% Share
<b>International Investment Position - net</b>	<b>(63,759.5)</b>		<b>(70,782.6)</b>	
<b>A. Assets</b>	<b>23,657.1</b>	<b>100.0</b>	<b>17,180.3</b>	<b>100.0</b>
1. Direct investment abroad	1,549.6	6.6	1,613.6	9.4
2. Portfolio investment	378.6	1.6	491.4	2.9
3. Financial derivatives	21.7	0.1	21.3	0.1
4. Other investment	8,180.5	34.6	7,702.2	44.8
4.1 Trade credits	4,743.2	20.0	4,639.6	27.0
4.2 Loans	108.3	0.5	111.3	0.6
4.3 Currency and deposits	2,075.2	8.8	1,585.7	9.2
4.4 Other assets	1,253.9	5.3	1,365.7	7.9
5. Reserve assets	13,526.7	57.2	7,351.7	42.8
<b>B. Liabilities</b>	<b>87,416.7</b>	<b>100.0</b>	<b>87,962.8</b>	<b>100.0</b>
1. Direct investment in Pakistan	23,124.8	26.5	25,090.6	28.5
2. Portfolio investment	5,233.8	6.0	6,719.4	7.6
3. Financial derivatives	9.3	0.0	8.5	0.0
4. Other investment	59,048.7	67.5	56,144.3	63.8
4.1 Trade credits	769.2	0.9	859.1	1.0
4.2 Loans	53,695.4	61.4	49,768.3	56.6
4.3 Currency and deposits	2,819.1	3.2	2,666.7	3.0
4.4 Other liabilities	1,765.0	2.0	2,850.2	3.2

The overall liabilities of Pakistan in 2013 recorded an increase of US\$ 546.2 million and stood at US\$ 87,962.8 million against US\$ 87,416.7 in the previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 28.5 percent of the total liabilities increased from US\$ 23,124.8 million to US\$ 25,090.6 million and in absolute term by US\$ 1,965.8 million or 8.5 percent whereas portfolio investment in Pakistan increased by US\$ 1485.6 from US\$ 5,233.8 million to US\$ 6,719.4 million or 28.4 percent during the year 2013.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 88.6 percent and 3.0 percent share in other investment respectively. The loans remain a major contributor which account for 56.6 percent of the total liabilities of Pakistan in the year 2013. Loans have decreased from US\$ 53,695.4 million to US\$ 49,768.3 million or by US\$ 3,927.2 million and 7.3 percent over the previous year.



### Functional types of Investment:

#### (i) Foreign Direct Investment in Pakistan by Immediate Partner Country

UK has major share in the FDI stock in Pakistan followed by Switzerland, UAE, and USA. However, overall FDI stock from UK is decreased by 2.3 percent in 2013 whereas Switzerland, UAE and USA showed increase of 23.7, 19.0 and 27.9 percent respectively.

**Table 2: FDI in Pakistan by Immediate Partner**

Country	(Million US\$)				
	As on Dec 31, 2012		As on Dec 31, 2013		% change in 2013
	Stock Position	% of Share	Stock Position	% of Share	
U.K	5,376.8	23.3	5,254.3	20.9	(2.3)
Switzerland	3,840.5	16.6	4,750.6	18.9	23.7
U.A.E	2,551.2	11.0	3,035.2	12.1	19.0
U.S.A	1,534.8	6.6	1,962.5	7.8	27.9
China	1,057.2	4.6	1,183.8	4.7	12.0
Netherlands	932.8	4.0	1,029.1	4.1	10.3
Japan	668.4	2.9	727.2	2.9	8.8
Cayman Island	730.4	3.2	719.1	2.9	(1.6)
Others	6,432.8	27.8	6,428.7	25.6	(0.1)
<b>Total</b>	<b>23,124.8</b>	<b>100.0</b>	<b>25,090.6</b>	<b>100.0</b>	<b>8.5</b>

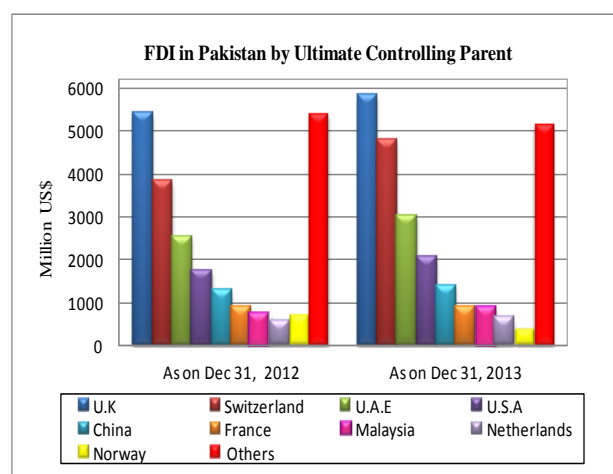
#### (ii) Foreign Direct Investment (FDI) in Pakistan by Economic Group

The stock of FDI in financial sector stood at US\$ 6,244.7 million or 24.9 percent of overall FDI stock in 2013 against the stock of US\$ 5,140.5 million or 22.2 percent of overall stock in the year 2012. FDI stock in oil & gas exploration sector recorded an increase of 10.7 percent which is caused by inflow of US\$ 489.9 million. The investment in pharmaceuticals sector witnessed significant increase of 27.2 percent which is on account of price changes of US\$ 287.0 million and net flows of US\$ 35.7 million in this sector. The FDI stock of food and chemical sectors increased from US\$ 3,119.2 million to US\$ 3,129.8 million or 0.3 percent and US\$ 893.6 million to US\$ 927.1 million or 3.7 percent respectively during the year. Further, power sector recorded an increase of 1.1 percent on account of net inflows of US\$ 192.7 million during the year 2013.

<b>Table 3: FDI in Pakistan by Economic Group</b> (Million US\$)					
<b>Economic Group</b>	As on Dec 31, 2012		As on Dec 31, 2013		% change in 2013
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	5,140.5	22.2	6,244.7	24.9	21.5
Communication	3,426.5	14.8	3,567.0	14.2	4.1
Food	3,119.2	13.5	3,129.8	12.5	0.3
Oil & gas Exploration	2,411.8	10.4	2,668.8	10.6	10.7
Power	2,117.5	9.2	2,140.4	8.5	1.1
Pharmaceuticals	827.7	3.6	1,052.4	4.2	27.2
Chemicals	893.6	3.9	927.1	3.7	3.7
Others	5,188.1	22.4	5,360.3	21.4	3.3
<b>Total</b>	<b>23,124.8</b>	<b>100</b>	<b>25,090.6</b>	<b>100</b>	<b>8.5</b>

### (iii) Foreign Direct Investment in Pakistan by Ultimate Controlling Parent (UCP) Country

The country wise stock position of FDI on Ultimate Controlling Parent (UCP) basis reflects that UK has major share which is 23.3 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from UK, Switzerland, UAE and USA has significantly



increased during 2013 by 8.0, 24.8, 19.4 and 17.0 percent respectively as compared to last year. FDI from Norway witnessed a decrease of 42.5 percent

from US\$ 678.6 million to US\$ 390.3 million or in absolute terms by US\$ 288.3 million during 2013. Overall stock of FDI on UCP basis has increased by 8.5 percent in 2013 over corresponding period last year.

<b>Table 4: FDI in Pakistan by UCP Country</b> (Million US\$)					
<b>Country</b>	As on Dec 31, 2012		As on Dec 31, 2013		% change in 2013
	Stock Position	% of Share	Stock Position	% of Share	
U.K	5,423.8	23.5	5,856.1	23.3	8.0
Switzerland	3,838.1	16.6	4,789.0	19.1	24.8
U.A.E	2,539.9	11.0	3,032.1	12.1	19.4
U.S.A	1,751.2	7.6	2,048.6	8.2	17.0
China	1,282.7	5.5	1,408.6	5.6	9.8
France	911.6	3.9	899.5	3.6	(1.3)
Malaysia	735.0	3.2	879.5	3.5	19.7
Netherlands	570.1	2.5	641.9	2.6	12.6
Norway	678.6	2.9	390.3	1.6	(42.5)
Others	5,393.8	23.3	5,145.1	20.5	(4.6)
<b>Total</b>	<b>23,124.8</b>	<b>100.0</b>	<b>25,090.6</b>	<b>100.0</b>	<b>8.5</b>

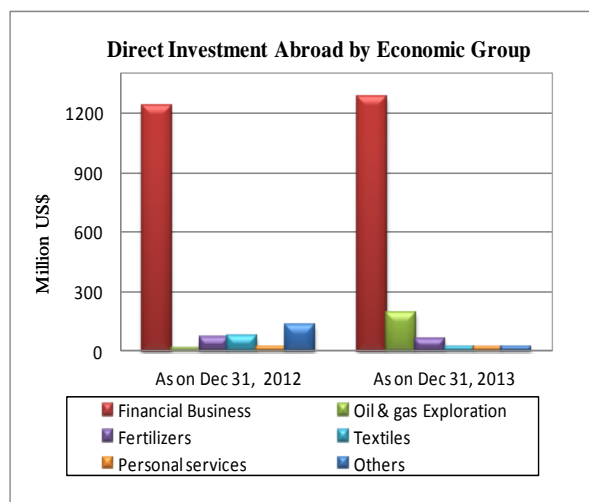
### (iv) Direct Investment Abroad by Country

Direct investment abroad is mainly concentrated in U.A.E, U.K, Bangladesh and Bahrain. Investment in UK and Netherlands has substantially increased from US\$ 96.6 million to US\$ 237.7 million and US\$ 22.3 million to US\$ 68.5 million respectively. Major decrease of 45.7 percent has been recorded in DI in Qatar from US\$ 85.6 million to US\$ 46.5 million during the year 2013.

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

Item wise analysis indicates prominent increase in oil & gas exploration sector from US\$ 15.0 million to US\$ 195.9 million with 12.1 percent share in

overall stock of direct investment abroad. Direct investment in financial business sector stood second which is increased by 4.2 percent during the year 2013. Textile sector witnessed decrease of 68.2 percent from US\$ 78.7 million to US\$ 25.0 million in 2013. Fertilizers and personal services sectors also witnessed decrease in growth by 6.3 and 13.7 percent due to other changes of US\$ 7.4 million and US\$ 4.6 million during the year respectively. Other sectors have marginal contribution in the overall stock of DI abroad. Overall DI abroad increased by 4.1 percent from US\$ 1,549.6 million to US\$ 1,613.6 million in 2013.



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

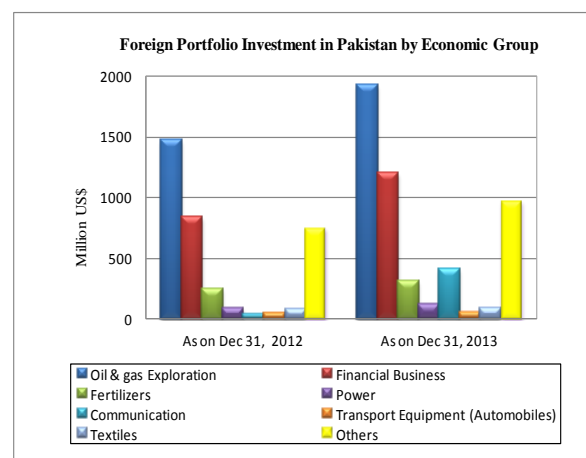
Country wise foreign portfolio investment in Pakistan indicates that investment from British Virgin Island and Luxemburg increased by 84.6 and 67.3 percent during 2013 as compared to last year. Collective stock from UK and UAE witnessed substantial increase of 35.2 percent during the year. Contrarily, decrease of 56.4 and 39.4 percent has been recorded from USA and Switzerland during 2013 respectively.

<b>Table-5 FPI in Pakistan by Country (Million US\$)</b>					
Country	As on Dec 31, 2012		As on Dec 31, 2013		% change in 2013
	Stock Position	% of Share	Stock Position	% of Share	
U.K	99.4	2.8	146.4	2.9	47.3
U.A.E	48.6	1.4	53.7	1.1	10.5
U.S.A	93.9	2.6	40.9	0.8	(56.4)
Switzerland	10.1	0.3	6.1	0.1	(39.4)
Luxembourg	9.8	0.3	16.4	0.3	67.3
Bahamas	33.3	0.9	48.8	1.0	46.5
BVI*	27.3	0.8	50.4	1.0	84.6
Others	3,237.8	90.9	4,715.7	92.9	45.6
<b>Total</b>	<b>3,560.1</b>	<b>100.0</b>	<b>5,078.6</b>	<b>100.0</b>	<b>42.7</b>

\* British Virgin Island

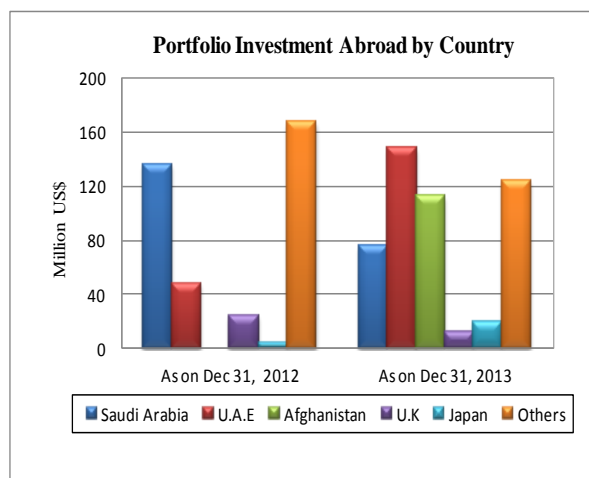
#### (vii) Foreign Portfolio Investment in Pakistan by Economic Group

Economic group wise analysis reveals that FPI in Pakistan significantly increased by 42.7 percent from US\$ 3,560.1 million to US\$ 5,078.6 million. This is mainly due to oil & gas and financial business sectors having 38.0 and 23.6 percent share in overall portfolio investment in Pakistan. Moreover, portfolio investment in power, communication and textile sectors also contributed in overall growth of FPI during the year 2013.



**(viii) Portfolio Investment Abroad by Country**

Portfolio investment abroad is mainly concentrated in UAE with 30.2 percent share in overall FPI stock. Further, portfolio investment in Afghanistan and Japan has also increased substantially during the year 2013.

**(ix) Portfolio Investment Abroad by Economic Group**

Sector wise analysis shows that Financial Business recorded 99.9 percent share in overall stock of portfolio investment abroad. The investment by this sector significantly increased by 29.9 percent in 2013 as compared to 2012. Overall PI abroad increased by 29.8 percent from US\$ 378.7 million to US\$ 491.4 million during the year 2013.

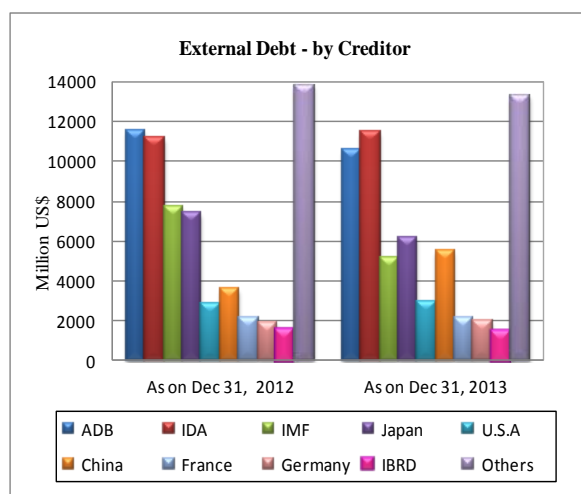
Economic Group	As on Dec 31, 2012		As on Dec 31, 2013		% change in 2013
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	377.8	99.8	490.7	99.9	29.9
Communication	0.7	0.2	0.6	0.1	(8.0)
Transport	0.2	0.1	0.0	0.0	(100.0)
Others	0.0	0.0	0.1	0.0	-
<b>Total</b>	<b>378.7</b>	<b>100.0</b>	<b>491.4</b>	<b>100.0</b>	<b>29.8</b>

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

External debt by sector type and maturity reveals that general government loans decreased from US\$ 47,177.7 million to US\$ 45,031.6 million in which short term loans increased from US\$ 131.8 to US\$ 374.7 million whereas long term loans decreased from US\$ 45,495.4 million to US\$ 43,028.3 million or in absolute terms by US\$ 2,467.1 million during the year 2013.

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

External debt analysis reveals that IDA having 18.9 percent share in overall external debt of Pakistan during 2013 has increased by 2.2 percent as compared to 2012. The IMF financing having 8.4 percent share in total external debt decreased from US\$ 7,683.5 million to US\$ 5,112.5 million or in absolute terms by US\$ 2,571.0 million during the year 2013. Debt from China has increased by 51.6 percent with an increase of US\$ 1,868.3 million during the year. Overall external debt of Pakistan witnessed decrease of 4.9 percent during the year 2013.



<b>Table 7: External Debt by Creditor</b> (Million US\$)					
<b>Creditor</b>	As on Dec 31, 2012		As on Dec 31, 2013		% change in 2013
	Stock Position	% of Share	Stock Position	% of Share	
ADB	11,552.7	18.2	10,559.1	17.4	(8.6)
IDA	11,183.2	17.6	11,432.2	18.9	2.2
IMF	7,683.5	12.1	5,112.5	8.4	(33.5)
Japan	7,431.0	11.7	6,171.3	10.2	(17.0)
U.S.A	2,891.7	4.5	2,964.2	4.9	2.5
China	3,620.8	5.7	5,489.1	9.1	51.6
France	2,099.1	3.3	2,126.1	3.5	1.3
Germany	1,914.9	3.0	1,965.5	3.2	2.6
IBRD	1,493.0	2.3	1,362.2	2.3	(8.8)
Others	13,778.2	21.6	13,335.2	22.0	(3.2)
<b>Total</b>	<b>63,647.6</b>	<b>100.0</b>	<b>60,517.4</b>	<b>100.0</b>	<b>(4.9)</b>

This decrease is on account of market price of gold which sharply dropped from US\$ 1,657.9 to US\$ 1,201.3 (per troy ounce) during the year. Further, Foreign exchange decreased from US\$ 7,318.5 to US\$ 3,263.0 million or in absolute term to US\$ 4,055.5 million (55.4 percent) during the year 2013.

#### (xii) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 988.4 million of which US\$ 660.1 million was principal amount and US\$ 328.3 million interest during the year 2013. Major repayments were made to U.S.A, Japan and France amounting to US\$ 461.5 million, US\$ 168.3 million and US\$ 124.2 million. Most of multilaterals repayments were made to IMF, ADB, IDB (includes both short term and long term loan) and IDA amounting to US\$ 3,708.7 million, US\$ 824.2 million, US\$ 581.8 million and US\$ 316.0 million respectively during the year 2013.

#### (xiii) Reserve Assets

Reserve assets reflect that monetary gold decreased from US\$ 3,433.5 million to US\$ 2,489.1 million which depicts decrease of 27.5 percent during 2013.