

2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -70,990.7 million at the end of 2013 to US\$ -75,698.9 million at year end 2014, thus reflecting a net increase in liabilities of US\$ 4,708.2 million or 6.6 percent. External financial assets recorded an increase of 40.4 percent from US\$ 17,141.9 million in 2013 to US\$ 24,066.6 million in 2014. This increase was mainly due to 96.3 percent increase in reserve assets during the year 2014. It is evident from Table-1 that direct and portfolio investment abroad which constitute 8.8 percent of the total assets increased by US\$ 23.8 million or 1.1 percent during the year 2014.

Other investment which accounted for 30.8 percent of the total assets, comprises of trade credits, loans, currency & deposits and other assets. Trade credits which constitute 62.1 percent of other investment assets showed a decrease of 0.6 percent during the year 2014. However, Currency and deposits with 18.0 percent share in other investment decreased by US\$ 213.6 million from US\$ 1,547.3 million to US\$ 1,333.8 million or 13.8 percent during the year 2014.

Reserve assets constitute almost 60.0 percent of the total assets increased by 96.3 percent during the year 2014. Foreign exchange, monetary gold, special drawing rights (SDR) and Other claims are major components of reserve assets. Foreign exchange reserves which hold 66.2 percent of the reserve assets recorded an increase of US\$ 6,291.4 million or 192.8 percent over the previous year. Monetary gold which is 17.2 percent of the reserve assets decreased by 0.1 percent during the year

2014 due to valuation changes. Other claims which are 11.3 percent of the reserve assets recorded an increase of US\$ 886.8 million or 119.1 percent over the previous year.

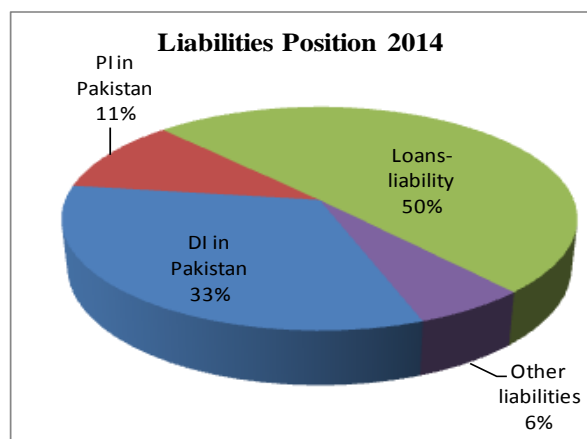
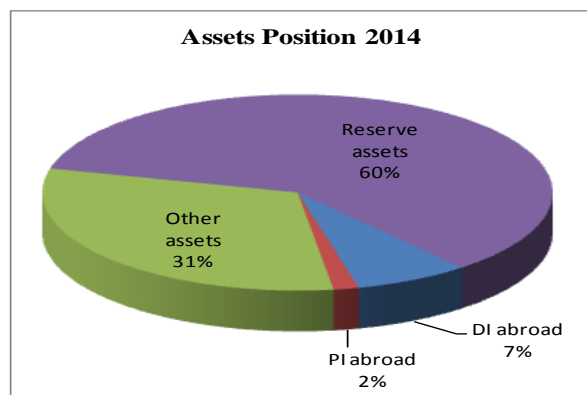
Table 1. International Investment Position 2014

(Million US\$)				
Item	31-Dec-13		31-Dec-14	
	Stock Position ®	% Share	Stock Position	% Share
International Investment Position - net	(70,990.7)		(75,698.9)	
A. Assets	17,141.9	100.0	24,066.6	100.0
1. Direct investment abroad	1,613.6	9.4	1,742.1	7.2
2. Portfolio investment	491.4	2.9	386.7	1.6
3. Financial derivatives	21.3	0.1	84.8	0.4
4. Other investment	7,663.8	44.7	7,423.9	30.8
4.1 Trade credits	4,639.6	27.1	4,611.7	19.2
4.2 Loans	111.3	0.6	114.3	0.5
4.3 Currency and deposits	1,547.3	9.0	1,333.8	5.5
4.4 Other assets*	1,365.7	8.0	1,364.1	5.7
5. Reserve assets	7,351.7	42.9	14,429.1	60.0
B. Liabilities	88,132.6	100.0	99,765.5	100.0
1. Direct investment in Pakistan	25,090.6	28.5	32,594.2	32.7
2. Portfolio investment	6,718.9	7.6	10,706.2	10.7
3. Financial derivatives	8.5	0.0	16.0	0.0
4. Other investment	56,314.5	63.9	56,449.0	56.6
4.1 Trade credits	859.1	1.0	719.2	0.7
4.2 Loans	49,921.3	56.6	50,335.0	50.5
4.3 Currency and deposits	2,666.7	3.0	2,608.4	2.6
4.4 Other liabilities	2,867.4	3.3	2,786.5	2.8

The overall liabilities of Pakistan in 2014 recorded an increase of US\$ 11,632.9 million and stood at US\$ 99,765.5 million against US\$ 88,132.6 in the previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 32.7 percent of the total liabilities increased from US\$ 25,090.6 million to US\$ 32,594.2 million and in absolute term by US\$ 7,503.6 million or 29.9 percent whereas portfolio investment in Pakistan increased by US\$ 3,987.3 from US\$ 6,718.9 million

to US\$ 10,706.2 million or 59.3 percent during the year 2014.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 89.2 percent and 4.6 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 2014. Loans have increased from US\$ 49,921.3 million to US\$ 50,335.0 million or by US\$ 413.7 million and 0.8 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. Further,

overall FDI stock from UK is increased by 14.8 percent in 2014 whereas Switzerland, UAE and USA showed an increase of 26.3, 69.8 and 15.8 percent respectively.

Country	As on Dec 31, 2013		As on Dec 31, 2014		% change in 2014
	Stock Position	% of Share	Stock Position	% of Share	
U.K	5,254.3	20.9	6,030.7	18.5	14.8
Switzerland	4,750.6	18.9	5,997.8	18.4	26.3
U.A.E	3,035.2	12.1	5,155.2	15.8	69.8
U.S.A	1,962.5	7.8	2,272.6	7.0	15.8
China	1,183.8	4.7	2,238.5	6.9	89.1
Netherlands	1,029.1	4.1	1,427.7	4.4	38.7
Japan	727.2	2.9	1,234.2	3.8	69.7
Cayman Island	719.1	2.9	700.0	2.1	(2.7)
Others	6,428.7	25.6	7,537.6	23.1	17.2
Total	25,090.6	100.0	32,594.2	100.0	29.9

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

The stock of FDI in financial sector stood at US\$ 7,324.0 million or 22.5 percent of overall FDI stock in 2014 against the stock of US\$ 6,244.7 million in the year 2013. FDI stock in oil & gas exploration sector recorded an increase of 64.6 percent which is caused by inflow of US\$ 489.1 million. The investment in power sector witnessed significant increase of 47.8 percent which is due to inflow of US\$ 325.1 million, of which thermal sector witnessed inflow of US\$ 287.0 million. The FDI stock of food and chemical sectors increased from US\$ 3,129.8 million to US\$ 3,742.7 million or 19.6 percent and US\$ 927.1 million to US\$ 1,143.5 million or 23.3 percent respectively during the year 2014. Further, pharmaceuticals sector recorded an

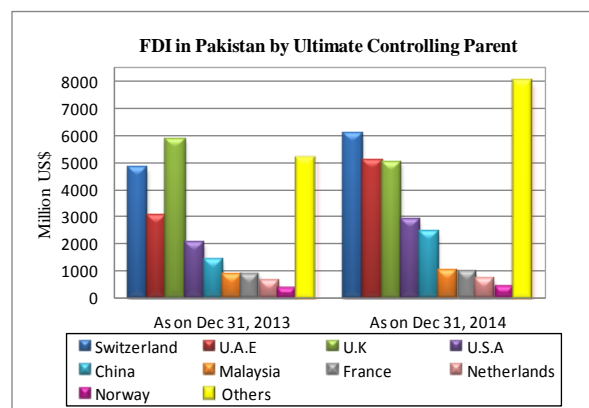
increase of 39.5 percent on account of net inflows of US\$ 80.6 million during the year 2014.

Table 3: FDI in Pakistan by Economic Group
(Million US\$)

Economic Group	As on Dec 31, 2013		As on Dec 31, 2014		% change in 2014
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	6,244.7	24.9	7,324.0	22.5	17.3
Communication	3,567.0	14.2	4,518.1	13.9	26.7
Oil & gas Exploration	2,668.8	10.6	4,392.6	13.5	64.6
Food	3,129.8	12.5	3,742.7	11.5	19.6
Power	2,140.4	8.5	3,164.0	9.7	47.8
Pharmaceuticals	1,052.4	4.2	1,468.2	4.5	39.5
Chemicals	927.1	3.7	1,143.5	3.5	23.3
Others	5,360.4	21.4	6,840.1	21.0	27.6
Total	25,090.6	100.0	32,595.2	100.0	29.9

(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 Switzerland has major share which is 18.6 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from China, UAE and USA has significantly increased during 2014 by 72.4, 67.4 and 40.5



percent respectively as compared to last year. FDI from UK witnessed a decrease of 14.0 percent from US\$ 5,856.1 million to US\$ 5,037.9 million or in absolute terms by US\$ 818.2 million during 2014. Overall stock of FDI on UCP basis has increased by 29.9 percent in 2014 over corresponding period last year.

Table 4: FDI in Pakistan by UCP Country
(Million US\$)

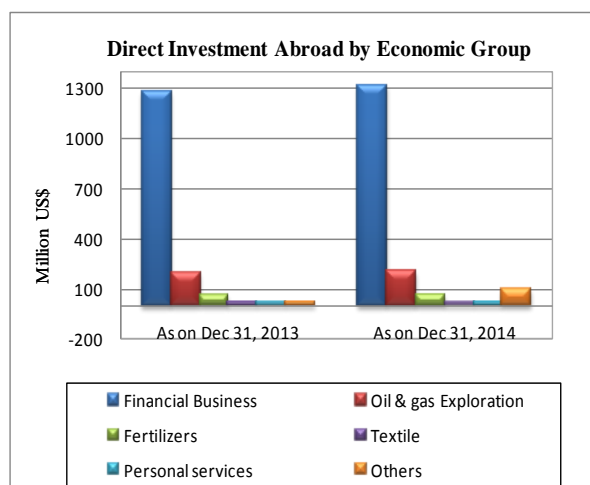
Country	As on Dec 31, 2013		As on Dec 31, 2014		% change in 2014
	Stock Position	% of Share	Stock Position	% of Share	
Switzerland	4,789.0	19.1	6,064.4	18.6	26.6
U.A.E	3,032.1	12.1	5,075.3	15.6	67.4
U.K	5,856.1	23.3	5,037.9	15.5	(14.0)
U.S.A	2,048.6	8.2	2,877.8	8.8	40.5
China	1,408.6	5.6	2,428.5	7.5	72.4
Malaysia	879.5	3.5	1,025.5	3.1	16.6
France	899.5	3.6	990.3	3.0	10.1
Netherlands	641.9	2.6	723.1	2.2	12.7
Norway	390.3	1.6	413.1	1.3	5.8
Others	5,145.1	20.5	7,958.2	24.4	54.7
Total	25,090.6	100.0	32,594.2	100.0	29.9

(iv) Direct Investment Abroad by Country

Direct investment abroad is mainly concentrated in U.A.E, U.K, Bahrain and Bangladesh. Investment in Bahrain and Netherlands has substantially increased from US\$ 73.7 million to US\$ 101.9 million and US\$ 68.5 million to US\$ 88.4 million respectively. Major decrease of 44.9 percent has been recorded in DI in Bangladesh from US\$ 171.1 million to US\$ 94.2 million during the year 2014.

(v) Direct Investment Abroad by Economic Group

Item wise analysis indicates that financial business recorded 75.7 percent share in overall stock of direct investment abroad. The investment by this sector has increased by 2.8 percent during 2014 as compared to 2013. Majority of the stock comprise of Pakistani bank's capital in their overseas branches. DI abroad in oil & gas exploration sector stood second which is increased from US\$ 195.9 million to US\$ 210.9 million during the year 2014. Fertilizers and personal services sectors also witnessed an increase in growth by 11.3 and 14.5 percent due to inflow of US\$ 1.5 million and US\$ 2.4 million respectively, whereas textile sector witnessed a decrease in growth by 23.6 percent or in absolute terms of US\$ 5.9 million during the year 2014.



(vi) Foreign Portfolio Investment in Pakistan by Country

Country wise foreign portfolio investment in Pakistan indicates that investment from USA, British Virgin Island and UAE increased by 174.9, 102.9, and 102.3 percent during 2014 as compared to last year. FPI in Pakistan increased from UK, Bahamas and Philippines by 59.1, 91.9 and 71.6

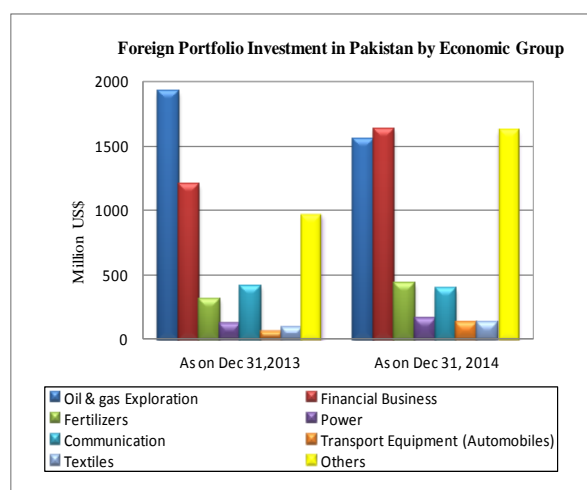
percent in 2014 respectively as compared to last year. Moreover, overall FPI in Pakistan increased from US\$ 5,078.6 million to US\$ 6,040.3 million.

Country	As on Dec 31, 2013		As on Dec 31, 2014		% change in 2014
	Stock Position	% of Share	Stock Position	% of Share	
U.K	146.4	2.9	233.0	3.9	59.1
U.S.A	40.9	0.8	112.5	1.8	174.9
U.A.E	53.7	1.1	108.6	1.9	102.3
BVI*	50.4	1.0	102.4	0.6	102.9
Bahamas	48.8	1.0	93.7	1.1	91.9
Philippines	37.4	0.7	64.1	1.6	71.6
Ireland	26.9	0.5	35.4	1.7	31.6
Others	4,674.0	92.0	5,290.7	87.6	13.2
Total	5,078.6	100.0	6,040.3	100.0	18.9

* British Virgin Island

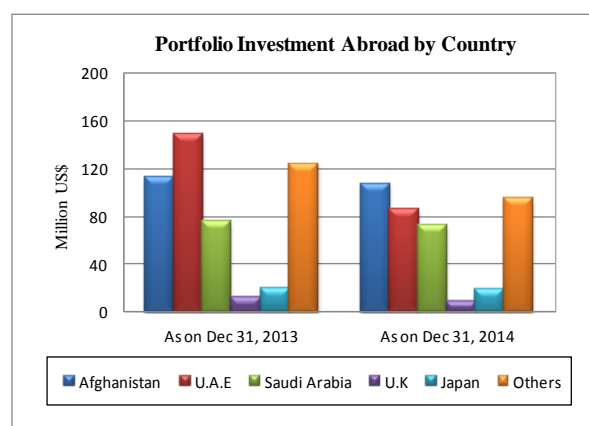
(vii) Foreign Portfolio Investment in Pakistan by Economic Group

Economic group wise analysis reveals that FPI in Pakistan increased by 18.9 percent from US\$ 5,078.6 million to US\$ 6,040.3 million. This is mainly due to financial business and oil & gas sectors having 27.0 and 25.7 percent share in overall portfolio investment in Pakistan. Moreover, portfolio investment in transport equipment (automobiles), fertilizer and power sectors also contributed in overall growth of FPI during the year 2014.



(viii) Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in Afghanistan, UAE and Saudi Arabia with 68.5 percent share in overall FPI stock. Further, overall PI witnessed decrease of 21.3 percent from US\$ 491.4 million to US\$ 386.7 million during the year 2014.



(ix) Portfolio Investment Abroad by Economic Group

Sector wise analysis shows that Financial Business recorded 99.8 percent share in overall stock of portfolio investment abroad. Portfolio investment by this sector decreased from US\$ 490.7 million to US\$ 386.0 million or by 21.3 percent during the year 2014.

Table-6 PI abroad by Economic Group
(Million US\$)

Economic Group	As on Dec 31, 2013		As on Dec 31, 2014		% change in 2014
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	490.7	99.9	386.0	99.8	(21.3)
Communication	0.6	0.1	0.6	0.2	5.1
Transport	0.0	0.0	0.0	0.0	-
Others	0.1	0.0	0.1	0.0	(17.9)
Total	491.4	100.0	386.7	100.0	(21.3)

(x) External Debt by Sector, Maturity and Type

External debt by sector type and maturity reveals that general government loans increased from US\$ 45,019.3 million to US\$ 47,090.3 million in which short term loans increased from US\$ 448.9 million to US\$ 1,034.5 million, similarly long term loans increased from US\$ 44,570.4 million to US\$ 46,055.8 million or in absolute terms by US\$ 1,485.4 million during the year 2014.

(xi) External Debt-by Creditors

External debt analysis reveals that IDA having 18.6 percent share in overall external debt of Pakistan during 2014 has increased by 4.0 percent as compared to 2013. The IMF financing having 7.8 percent share in total external debt decreased from US\$ 5,112.5 million to US\$ 5,000.7 million or in absolute terms by US\$ 111.8 million during the year 2014. Debt from China has increased by 12.4 percent with an increase of US\$ 682.2 million during the year. Overall external debt of Pakistan witnessed decrease of 5.2 percent during the year 2014.

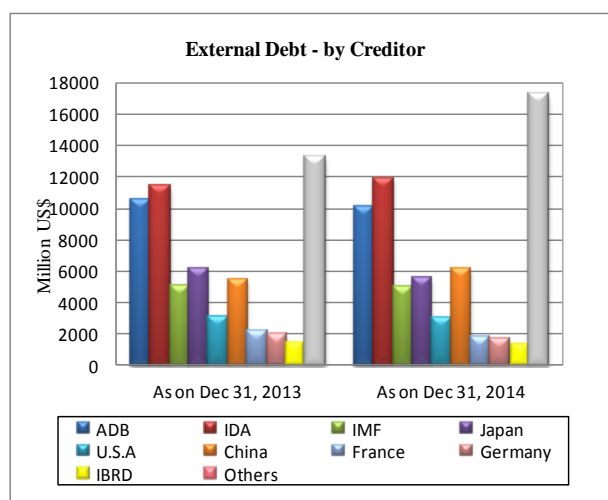


Table 7: External Debt by Creditor (Million US\$)

Creditor	As on Dec 31, 2013		As on Dec 31, 2014		% change in 2014
	Stock Position	% of Share	Stock Position	% of Share	
ADB	10,559.1	17.4	10,072.1	15.8	(4.6)
IDA	11,432.2	18.8	11,889.7	18.6	4.0
IMF	5,112.5	8.4	5,000.7	7.8	(2.2)
Japan	6,171.3	10.2	5,543.1	8.7	(10.2)
U.S.A	3,117.4	5.1	2,997.7	4.7	(3.8)
China	5,489.1	9.0	6,171.3	9.7	12.4
France	2,126.1	3.5	1,837.3	2.9	(13.6)
Germany	1,965.5	3.2	1,737.5	2.7	(11.6)
IBRD	1,362.2	2.2	1,272.7	2.0	(6.6)
Others	13,352.1	22.0	17,334.4	27.1	29.8
Total	60,687.5	100.0	63,856.6	100.0	5.2

(xii) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,034.8 million of which US\$ 713.6 million was principal amount and US\$ 321.2 million interest during the year 2014. Major repayments were made to U.S.A, U.K and Japan amounting to US\$ 393.3 million, US\$ 186.1 million and US\$ 158.2 million. Most of multilaterals repayments were made to

IMF, ADB, IDB (includes both short term and long term loan) and IDA amounting to US\$ 2,032.4 million, US\$ 869.4 million, US\$ 340.6 million and US\$ 363.2 million respectively during the year 2014.

(xiii) Reserve Assets

Reserve assets reflect that monetary gold decreased from US\$ 2,489.1 million to US\$ 2,485.7 million which depicts decrease of 0.1 percent during 2014. This decrease is on account of market price of gold which dropped from US\$ 1,201.3 to US\$ 1,199.7 (per troy ounce) during the year. Further, Foreign exchange increased from US\$ 3,263.0 to US\$ 9,554.4 million or in absolute term to US\$ 6,291.4 million which is mainly on account of currency and deposits with foreign banks abroad during the year 2014.