

## 2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -103,902.8 million at the end of 2017 to US\$ -112,524.1 million at year end 2018, thus reflecting a net increase in liabilities of US\$ 8,621.3 million or 8.3 percent. External financial assets recorded decrease of 24.7 percent from US\$ 28,585.2 million in 2017 to US\$ 21,514.9 million in 2018. This decrease was mainly due to 36.3 percent decrease in reserve assets during the year 2018. It is evident from Table-1 that direct and portfolio investment abroad which constitute 11.7 percent of the total assets decreased by US\$ 71.8 million during the year 2018.

Other investment which accounted for 33.5 percent of the total assets, comprises of other equity, currency & deposits, loans, insurance, pension and standardized guarantee schemes, trade credit and advances and other accounts receivable. Currency and deposits with 18.6 percent share in other investment decreased by US\$ 359.6 million from US\$ 1,696.9 million to US\$ 1,337.2 million or 21.2 percent during the year 2018. Trade credits & advances which constitute 67.5 percent of other investment assets showed an increase of 5.8 percent during the year 2018.

Reserve assets constitute 54.6 percent of the total assets decreased by 36.3 percent during the year 2018. Monetary gold, special drawing rights (SDR) and other reserve assets are major components of reserve assets. Other reserve assets which hold 73.8 percent of the reserve assets recorded a decrease of US\$ 6,525.8 million or 42.9 percent over the previous year. Monetary gold which is 22.7 percent

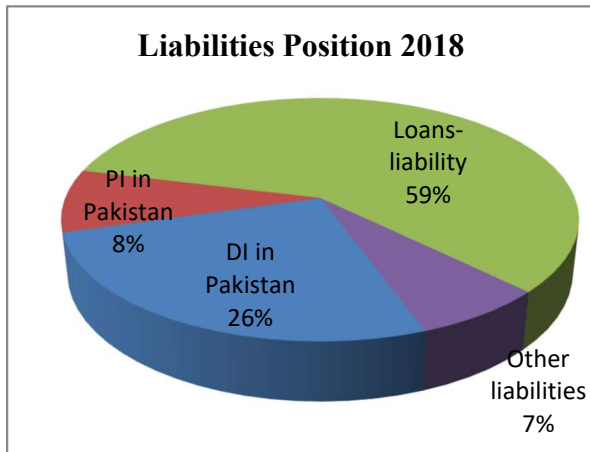
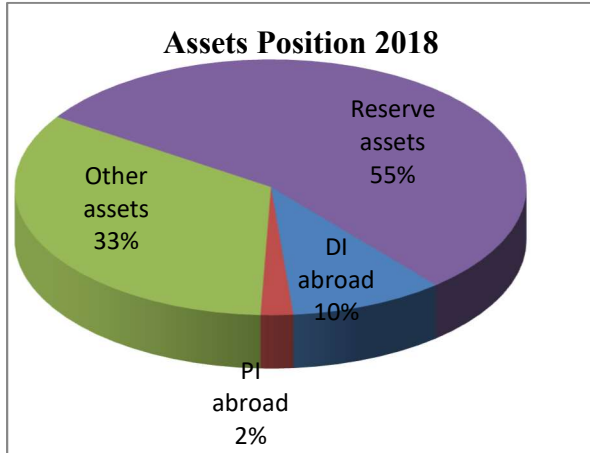
of the reserve assets decreased by 1.1 percent during the year 2018 due to valuation changes.

The overall liabilities of Pakistan in 2018 recorded an increase of US\$ 1,551.1 million and stood at US\$ 134,039.1 million against US\$ 132,488.0 at the end of previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 25.5 percent of the total liabilities decreased from US\$ 40,867.5 million to US\$ 34,203.8 million and in absolute term by US\$ 6,663.6 million or 16.3 percent whereas portfolio investment in Pakistan decreased by US\$ 1,747.9 million from US\$ 13,038.1 million to US\$ 11,290.2 million or 13.4 percent during the year 2018.

Item	As on Dec 31, 2017*		As on Dec 31, 2018	
	Stock Position	% Share	Stock Position	% Share
<b>International Investment Position - net</b>	<b>(103,902.8)</b>		<b>(112,524.1)</b>	
<b>A. Assets</b>	<b>28,585.2</b>	<b>100.0</b>	<b>21,514.9</b>	<b>100.0</b>
1. Direct investment abroad	2,112.4	7.4	2,091.5	9.7
2. Portfolio investment	489.6	1.7	438.7	2.0
3. Financial derivatives	31.6	0.1	27.9	0.1
4. Other investment	7,496.6	26.2	7,204.9	33.5
4.1 Other equity	0.0	0.0	0.0	0.0
4.2 Currency and deposits	1,696.9	5.9	1,337.2	6.2
4.3 Loans	123.3	0.4	126.3	0.6
4.4 Insurance, pension and standardized guarantee scheme	0.0	0.0	0.0	0.0
4.5 Trade credit and advances	4,595.0	16.1	4,863.3	22.6
4.6 Other accounts receivable	1,081.5	3.8	878.2	4.1
5. Reserve assets	18,455.0	64.6	11,751.9	54.6
<b>B. Liabilities</b>	<b>132,488.0</b>	<b>100.0</b>	<b>134,039.1</b>	<b>100.0</b>
1. Direct investment in Pakistan	40,867.5	30.8	34,203.8	25.5
2. Portfolio investment	13,038.1	9.8	11,290.2	8.4
3. Financial derivatives	13.2	0.0	15.2	0.0
4. Other investment	78,569.2	59.3	88,529.9	66.0
4.1 Other equity	0.0	0.0	0.0	0.0
4.2 Currency and deposits	1,951.1	1.5	4,109.4	3.1
4.3 Loans	72,537.4	54.8	78,981.1	58.9
4.4 Insurance, pension and standardized guarantee scheme	0.0	-	0.0	-
4.5 Trade credit and advances	732.9	0.6	873.4	0.7
4.6 Other accounts payable	1,939.9	1.5	3,191.2	2.4
4.7 Special drawing rights (Net incurrence of liabilities)	1,407.8	1.1	1,374.8	1.0

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 58.9 percent of the total liabilities of Pakistan in the year 2018. Loans have increased from US\$ 72,537.4 million to US\$

78,981.1 million or by US\$ 6,443.7 million and 8.9 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, Netherlands and U.A.E. Overall FDI stock from Japan, U.S.A, Switzerland, China, U.K, Cayman Island, Netherlands and U.A.E showed decrease of 42.1, 36.8, 30.9, 13.4, 9.0, 5.8, 3.5 and 2.4 percent respectively.

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

Country	(Million US\$)				
	As on Dec 31, 2017		As on Dec 31, 2018		% change in 2018
	Stock Position	% of Share	Stock Position	% of Share	
U.K	11,558.6	28.3	10,515.6	30.7	(9.0)
Switzerland	6,234.1	15.3	4,308.5	12.6	(30.9)
Netherlands	3,892.9	9.5	3,757.4	11.0	(3.5)
U.A.E	2,222.3	5.4	2,169.2	6.3	(2.4)
China	1,994.6	4.9	1,727.9	5.1	(13.4)
Cayman Island	1,689.5	4.1	1,590.7	4.7	(5.8)
U.S.A	1,939.9	4.7	1,227.0	3.6	(36.8)
Japan	2,054.0	5.0	1,188.9	3.5	(42.1)
Others	9,281.5	22.7	7,718.6	22.6	(16.8)
<b>Total</b>	<b>40,867.5</b>	<b>100.0</b>	<b>34,203.8</b>	<b>100.0</b>	<b>(16.3)</b>

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

The stock of FDI in Financial Business sector stood at US\$ 6,187.7 million or 18.1 percent of overall FDI stock in 2018 against the stock of US\$ 8,038.1 million in the year 2017. FDI stock in Tobacco & Cigarettes recorded an increase of 1.8 percent from US\$ 6,610.2 million to US\$ 6,728.8 million during the year 2018. The investment in Transport Equipment, Food, Financial Business, Oil & Gas Exploration, Power and Communications sector witnessed decrease of 40.0, 26.3, 23.0, 11.7, 8.4 and 4.3 percent respectively.

Economic Group	(Million US\$)				
	As on Dec 31, 2017		As on Dec 31, 2018		% change in 2018
	Stock Position	% of Share	Stock Position	% of Share	
Tobacco & Cigarettes	6,610.2	16.2	6,728.8	19.7	1.8
Financial Business	8,038.1	19.7	6,187.7	18.1	(23.0)
Power	4,772.6	11.7	4,372.4	12.8	(8.4)
Food	4,148.8	10.2	3,058.4	8.9	(26.3)
Oil & Gas Expl.	2,698.0	6.6	2,382.7	7.0	(11.7)
Communication	2,231.0	5.5	2,134.3	6.2	(4.3)
Transport Equipment	2,728.2	6.7	1,636.3	4.8	(40.0)
Others	9,640.7	23.6	7,703.3	22.5	(20.1)
<b>Total</b>	<b>40,867.5</b>	<b>100.0</b>	<b>34,203.8</b>	<b>100.0</b>	<b>(16.3)</b>

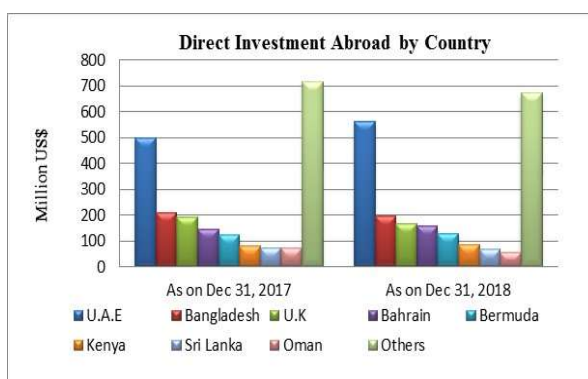
**(iii) Foreign Direct Investment in Pakistan by Ultimate Controlling Parent (UCP) Country**

The country wise stock position of FDI on Ultimate Controlling Parent (UCP) basis reflects that U.K has major share which is 30.0 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from Cayman Island has significantly increased during 2018 by 21.1 percent respectively as compared to last year. FDI from Netherlands witnessed a decrease of 48.4 percent from US\$ 1,748.9 million to US\$ 902.7 million or in absolute terms by US\$ 846.2 million during 2018. Overall stock of FDI on UCP basis has decreased by 16.3 percent in 2018 over corresponding period last year.

Country	(Million US\$)				
	As on Dec 31, 2017		As on Dec 31, 2018		% change in 2018
	Stock Position	% of Share	Stock Position	% of Share	
U.K	10,989.7	26.9	10,277.9	30.0	(6.5)
Switzerland	5,887.0	14.4	3,832.5	11.2	(34.9)
U.S.A	4,757.9	11.6	3,728.8	10.9	(21.6)
China	2,674.8	6.5	2,440.1	7.1	(8.8)
Japan	2,615.6	6.4	1,564.5	4.6	(40.2)
Cayman Island	1,117.8	2.7	1,353.5	4.0	21.1
U.A.E	2,101.4	5.1	1,156.9	3.4	(44.9)
Netherlands	1,748.9	4.3	902.7	2.6	(48.4)
France	708.5	1.7	605.6	1.8	(14.5)
Others	8,265.7	20.2	8,341.4	24.4	0.9
<b>Total</b>	<b>40,867.5</b>	<b>100.0</b>	<b>34,203.8</b>	<b>100.0</b>	<b>(16.3)</b>

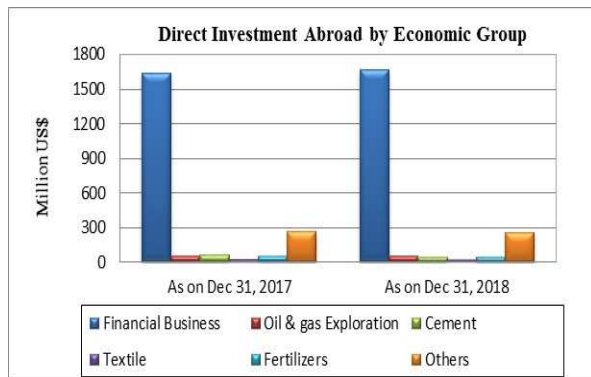
**(iv) Direct Investment Abroad by Country**

Direct investment abroad is mainly concentrated in U.A.E, Bangladesh and U.K. Investment in U.A.E and Bahrain has substantially increased from US\$ 497.2 million to US\$ 561.0 million and US\$ 145.6 million to US\$ 156.8 million respectively. Major decrease of 20.6 and 14.8 percent has been recorded in Oman and U.K from US\$ 71.9 million to US\$ 57.1 million and US\$ 194.3 million to US\$ 165.6 million respectively during the year 2018.



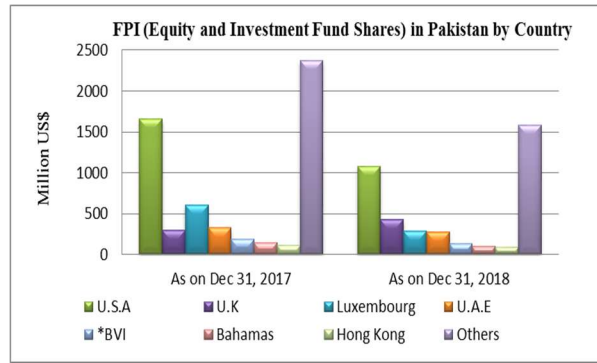
**(v) Direct Investment Abroad by Economic Group**

Item wise analysis indicates that Financial Business recorded 79.6 percent share in overall stock of direct investment abroad. The investment by this sector has increased by 1.4 percent during 2018 as compared to 2017. Majority of the stock comprise of Pakistani bank’s capital in their overseas branches. Direct Investment abroad in Textile and Cement sectors decreased from US\$ 28.4 million to US\$ 20.8 million and US\$ 61.5 million to US\$ 45.9 million respectively during the year 2018. Fertilizer and Oil & Gas Exploration sectors witnessed a decrease of 10.4 and 3.9 percent respectively during 2018.



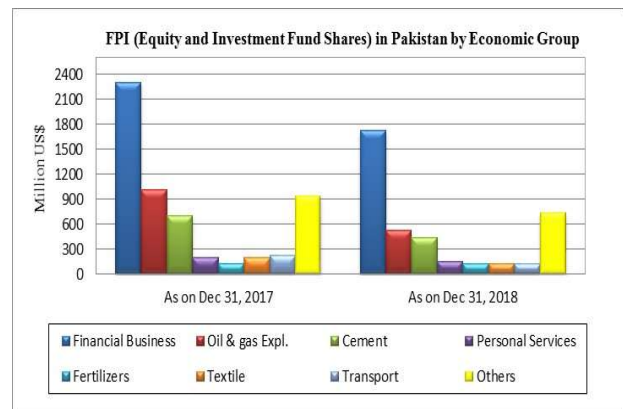
**(vi) Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan by Country**

Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan increased from U.K by 40.3 percent in 2018 as compared to last year. Whereas, Luxembourg, U.S.A, Bahamas, British Virgin Island, Hong Kong and U.A.E showed decrease of 52.7, 34.7, 33.1, 29.3, 27.1 and 15.0 percent respectively during 2018.



**(vii) Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan by Economic Group**

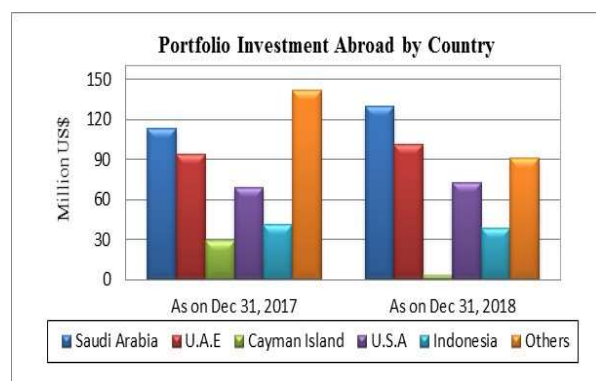
Economic group wise analysis reveals that FPI (Equity and Investment Fund Shares) in Pakistan decreased by 30.5 percent from US\$ 5,726.1 million to US\$ 3,978.0 million. This is mainly due to Financial Business, Oil & Gas Exploration, Cement and Personal services sectors having 43.4, 13.3, 11.3 and 4.0 percent share respectively in overall portfolio equity investment in Pakistan. Moreover, portfolio equity investment in Fertilizers, Textile and Transport also contributed in overall growth of FPI during the year 2018.



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

Portfolio investment abroad is mainly concentrated in Saudi Arabia, U.A.E, U.S.A, Indonesia and Cayman Island with 79.1 percent share in overall

investment stock. Further, overall portfolio investment abroad witnessed a decrease of 10.4 percent from US\$ 489.6 million to US\$ 438.7 million during the year 2018.



**(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. Portfolio investment by this economic group decreased from US\$ 489.0 million to US\$ 438.2 million or by 10.4 percent during the year 2018.

Economic Group	(Million US\$)				
	As on Dec 31, 2017		As on Dec 31, 2018		% change in 2018
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	489.0	99.9	438.2	99.9	(10.4)
Communication	0.6	0.1	0.5	0.1	(20.4)
Others	0.0	0.0	0.0	0.0	(11.3)
<b>Total</b>	<b>489.6</b>	<b>100.0</b>	<b>438.7</b>	<b>100.0</b>	<b>(10.4)</b>

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

External debt by sector type and maturity reveals that general government loans increased from US\$ 60,602.6 million to US\$ 65,573.9 million or in absolute terms by US\$ 4,971.2 million during the

year 2018. Short term loans decreased from US\$ 1,325.4 million to US\$ 1,037.3 million and long term loans increased from US\$ 59,277.2 million to US\$ 64,536.6 million during the year 2018.

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

External debt analysis reveals that China having 18.8 percent share in total external debt of Pakistan has increased from US\$ 13,596.3 million to US\$ 18,637.0 million or in absolute terms by US\$ 5,040.7 million during the year 2018. The IMF financing having 7.3 percent share in total external debt decreased from US\$ 7,664.0 million to US\$ 7,275.9 million or in absolute terms by US\$ 388.1 million during the year 2018. Debt from IDA has decreased by 1.4 percent and in absolute terms US\$ 198.1 million during the year. Overall, external debt of Pakistan witnessed an increase of 11.0 percent during the year 2018.

Creditor	(Million US\$)				
	As on Dec 31, 2017		As on Dec 31, 2018		% change in 2018
	Stock Position	% of Share	Stock Position	% of Share	
China	13,596.3	15.2	18,637.0	18.8	37.1
IDA	14,122.3	15.8	13,924.2	14.0	(1.4)
ADB	11,165.9	12.5	11,230.3	11.3	0.6
IMF	7,664.0	8.6	7,275.9	7.3	(5.1)
Japan	5,835.3	6.5	5,722.0	5.8	(1.9)
U.S.A	3,209.0	3.6	2,951.8	3.0	(8.0)
France	1,770.2	2.0	1,675.4	1.7	(5.4)
Germany	1,588.9	1.8	1,477.7	1.5	(7.0)
IBRD	1,315.3	1.5	1,368.1	1.4	4.0
Others	29,049.6	32.5	34,892.6	35.2	20.1
<b>Total</b>	<b>89,317.0</b>	<b>100.0</b>	<b>99,155.0</b>	<b>100.0</b>	<b>11.0</b>

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

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,002.4 million of which US\$ 700.5 million was principal amount and US\$ 301.9 million interest during the year 2018. Major repayments made to China, Japan, U.A.E, France and U.S.A amounting to US\$ 1,234.0 million, US\$ 379.1 million, US\$ 245.5, US\$ 172.3 million and US\$ 162.7 million respectively. Most of multilaterals repayments were made to IDB (includes both short term and long term loan), ADB, IDA and IMF amounting to US\$ 1,181.2 million, US\$ 961.7 million, US\$ 543.5 million and US\$ 350.2 million respectively during the year 2018.

**(xiii) Reserve Assets**

Reserve assets reflect that monetary gold decreased from US\$ 2,691.1 million to US\$ 2,662.5 million, which depicts decrease of 1.1 percent during 2018. Further, other reserve assets decreased from US\$ 15,203.6 to US\$ 8,677.8 million or in absolute term US\$ 6,525.8 million, Reserve assets decreased mainly due to the currency & deposits and securities during the year 2018.

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