2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US$ -76,701.2 million at the end of 2015 to US$ -89,907.3 million at year end 2016, thus reflecting a net increase in liabilities of US$ 13,206.1 million or 17.2 percent. External financial assets recorded an increase of 10.4 percent from US$ 29,307.4 million in 2015 to US$ 32,352.4 million in 2016. This increase was mainly due to 13.6 percent increase in reserve assets during the year 2016. It is evident from Table-1 that direct and portfolio investment abroad which constitute 14.6 percent of the total assets increased by US$ 119.1 million during the year 2016.

Other investment which accounted for 24.6 percent of the total assets, comprises of other equity, currency & deposits , loans, insuarance ,pension and standardized guarantee schemes, trade credit and advances and other accounts receivable. Currency and deposits with 18.5 percent share in other investment decreased by US$ 373.5 million from US$ 1,843.8 million to US$ 1,470.3 million or 20.3 percent during the year 2016. Trade credits & advances which constitute 67.0 percent of other investment assets showed an increase of 13.7 percent during the year 2016.

Reserve assets constitute almost 68.2 percent of the total assets increased by 13.6 percent during the year 2016. Monetary gold, special drawing rights (SDR) and other reserve assets are major components of reserve assets. Other reserve assets which hold 86.2 percent of the reserve assets recorded an increase of US$ 2,472.8 million or 14.9 percent over the previous year. Monetary gold which is 10.9 percent of the reserve assets increased by 9.2 percent during the year 2016 due to valuation changes.

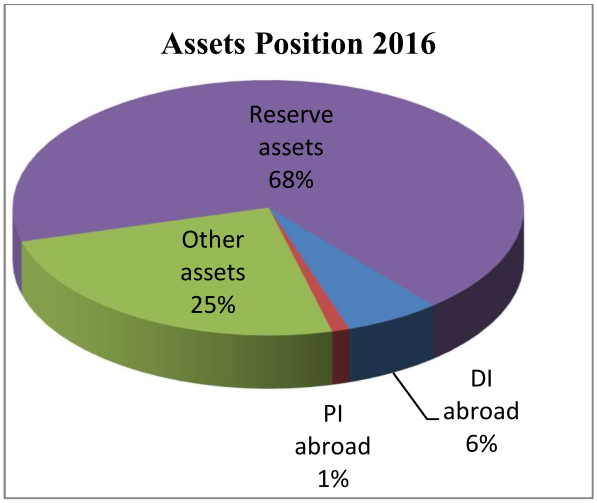
The overall liabilities of Pakistan in 2016 recorded an increase of US$ 16,251.1 million and stood at US$ 122,259.7 million against US$ 106,008.6 at the end of previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 34.4 percent of the total liabilities increased from US$ 34,426.7 million to US$ 41,999.4 million and in absolute term by US$ 7,572.8 million or 22.0 percent whereas portfolio investment in Pakistan increased by US$ 2,417.6 from US$ 10,760.8 million to US$ 13,178.4 million or 22.5 percent during the year 2016.

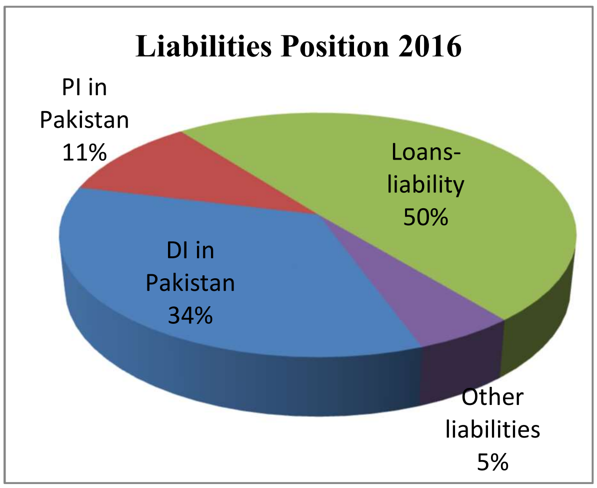
Table 1. International Investment Position 2016

(Million US$)

Item	As on Dec 31, 2015		As on Dec 31, 2016	
	Stock Position	% Share	Stock Position	% Share
International Investment Position - net	**(76,701.2)**		**(89,907.3)**	
A. Assets	**29,307.4**	**100.0**	**32,352.4**	**100.0**
1. Direct investment abroad	**1,860.2**	**6.3**	**1,946.8**	**6.0**
2. Portfolio investment	**326.6**	**1.1**	**359.1**	**1.1**
3. Financial derivatives	**18.8**	**0.1**	**22.2**	**0.1**
4. Other investment	**7,678.8**	**26.2**	**7,967.2**	**24.6**
4.1 Other equity	-	-	-	-
4.2 Currency and deposits	1,843.8	6.3	1,470.3	4.5
4.3 Loans	117.3	0.4	120.3	0.4
4.4 Insuarance, pension and standardized guarantee schemes	-	-	-	-
4.5 Trade credit and advances	4,696.8	16.0	5,338.6	16.5
4.6 Other accounts receivable	1,020.9	3.5	1,037.9	3.2
5. Reserve assets	**19,423.1**	**66.3**	**22,057.2**	**68.2**
B. Liabilities	**106,008.6**	**100.0**	**122,259.7**	**100.0**
1. Direct investment in Pakistan	**34,426.7**	**32.5**	**41,999.4**	**34.4**
2. Portfolio investment	**10,760.8**	**10.2**	**13,178.4**	**10.8**
3. Financial derivatives	**4.4**	**0.0**	**4.7**	**0.0**
4. Other investment	**60,816.8**	**57.4**	**67,077.3**	**54.9**
4.1 Other equity	-	-	-	-
4.2 Currency and deposits	2,802.8	2.6	2,783.2	2.3
4.3 Loans	54,195.1	51.1	60,522.7	49.5
4.4 Insuarance, pension and standardized guarantee schemes	-	-	-	-
4.5 Trade credit and advances	664.5	0.6	601.4	0.5
4.6 Other accounts payable	1,784.6	1.7	1,840.9	1.5
4.7 Special drawing rights (Net incurrence of liabilities)	1,369.9	1.3	1,329.0	1.1

Other investment in Pakistan includes loans and currency & deposits as major components which cover 90.2 percent and 4.1 percent share in other investment respectively. The loans remain a major contributor which account for 49.5 percent of the total liabilities of Pakistan in the year 2016. Loans have increased from US$ 54,195.1 million to US$ 60,522.7 million or by US$ 6,327.6 million and 11.7 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 Japan. Further, overall FDI stock from UK, Switzerland, Netherland, Japan, USA and China is increased by 22.1, 26.4, 95.6, 72.8, 12.0 and 37.7 percent respectively in 2016 whereas UAE and Luxembourg showed decrease of 45.3 and 46.8 percent respectively.

Table 2: FDI in Pakistan by Immediate Partner Country

(Million US$)

Country	As on Dec 31, 2015		As on Dec 31, 2016		% change in 2016
	Stock Position	% of Share	Stock Position	% of Share	
U.K	9,913.4	28.8	12,105.6	28.8	22.1
Switzerland	5,707.7	16.6	7,216.2	17.2	26.4
Netherlands	2,084.6	6.1	4,077.1	9.7	95.6
Japan	1,342.3	3.9	2,318.9	5.5	72.8
U.A.E	3,804.4	11.1	2,079.3	5.0	(45.3)
U.S.A	1,825.5	5.3	2,045.0	4.9	12.0
China	1,021.2	3.0	1,406.1	3.3	37.7
Luxembourg	1,002.6	2.9	533.0	1.3	(46.8)
Others	7,725.1	22.4	10,218.4	24.3	32.3
Total	**34,426.7**	**100.0**	**41,999.4**	**100.0**	**22.0**

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

The stock of FDI in financial sector stood at US$ 9,139.5 million or 21.8 percent of overall FDI stock in 2016 against the stock of US$ 7,105.3 million in the year 2015. FDI stock in Food, Transport equipment, Tobacco & Cigarettes and Power sector recorded increase of 55.4, 35.7, 31.7, 28.6 and 4.8 percent respectively. The investment in Oil & Gas Exploration and Communications sector witnessed decrease of 30.6 and 17.3 percent respectively. The FDI stock of Tobacco & Cigarettes and Food sectors increased from US$ 3,794.2 million to US$ 4,995.8 million or 31.7 percent and US$ 2,707.2 million to US$ 4,206.1 million or 55.4 percent respectively during the year 2016. Further, Power sector recorded an increase of 4.8 percent.

Table 3: FDI in Pakistan by Economic Group

(Million US$)

Economic Group	As on Dec 31, 2015		As on Dec 31, 2016		% change in 2016
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	7,105.3	20.6	9,139.5	21.8	28.6
Tobacco & Cigarettes	3,794.2	11.0	4,995.8	11.9	31.7
Food	2,707.2	7.9	4,206.1	10.0	55.4
Power	3,311.4	9.6	3,471.5	8.3	4.8
Transport Equipment	2,224.8	6.5	3,019.6	7.2	35.7
Oil & Gas Expl.	3,758.4	10.9	2,609.0	6.2	(30.6)
Communications	2,679.0	7.8	2,215.2	5.3	(17.3)
Others	8,846.5	25.7	12,342.7	29.4	39.5
Total	**34,426.7**	**100.0**	**41,999.4**	**100.0**	**22.0**

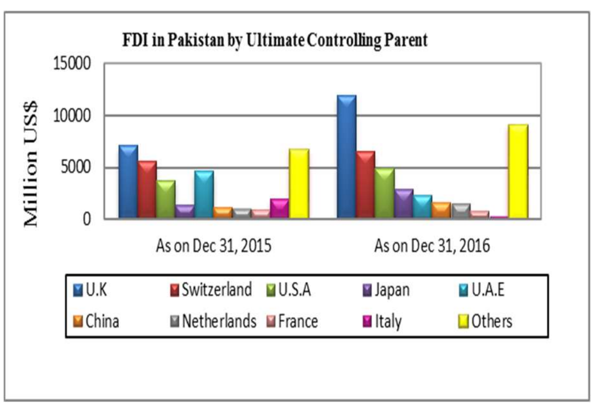
Table 4: FDI in Pakistan by UCP Country

(Million US$)

Country	As on Dec 31, 2015		As on Dec 31, 2016		% change in 2016
	Stock Position	% of Share	Stock Position	% of Share	
U.K	7,061.4	20.5	11,938.5	28.4	69.1
Switzerland	5,539.2	16.1	6,504.3	15.5	17.4
U.S.A	3,763.2	10.9	4,941.4	11.8	31.3
U.A.E	4,618.0	13.4	2,302.3	5.5	(50.1)
Japan	1,366.6	4.0	2,916.1	6.9	113.4
China	1,201.1	3.5	1,642.8	3.9	36.8
Netherlands	1,077.4	3.1	1,584.8	3.8	47.1
France	970.8	2.8	759.4	1.8	(21.8)
Italy	2,077.0	6.0	370.3	0.9	(82.2)
Others	6,752.0	19.6	9,039.5	21.5	33.9
Total	**34,426.7**	**100.0**	**41,999.4**	**100.0**	**22.0**

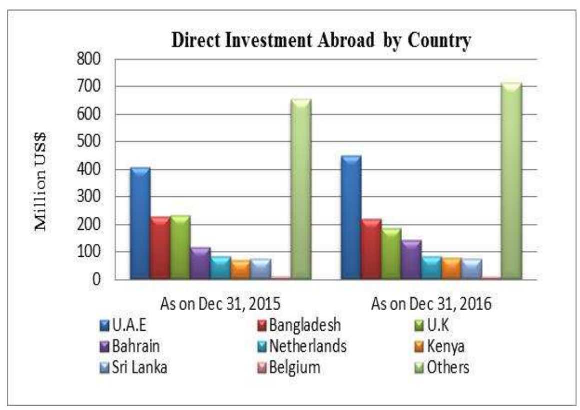
(iii) Foreign Direct Investment in Pakistan by Ultimate Controlling Parent (UCP) Country

The country wise stock position of FDI on Ultimate Controlling Parent (UCP) basis reflects that UK has major share which is 28.4 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from UK, Netherlands and China has significantly increased during 2016 by 69.1, 47.1 and 36.8 percent respectively as compared to last year. FDI from Italy witnessed a decrease of 82.2 percent from US$ 2,077.0 million to US$ 370.3 million or in absolute terms by US$ 1,706.5 million during 2016. Overall stock of FDI on UCP basis has increased by 22.0 percent in 2016 over corresponding period last year.



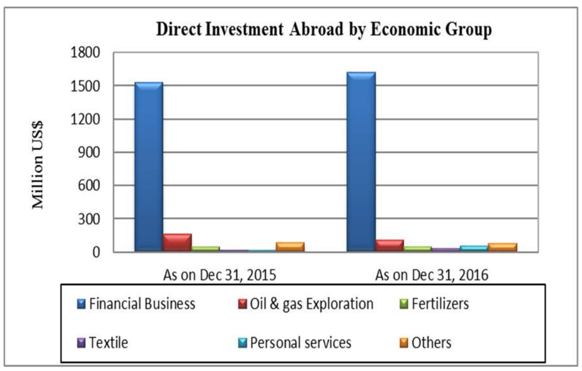
(iv) Direct Investment Abroad by Country

Direct investment abroad is mainly concentrated in U.A.E, Bangladesh and U.K. Investment in Bahrain and Kenya has substantially increased from US$ 114.3 million to US$ 141.6 million and US$ 66.7 million to US$ 75.6 million respectively. Major decrease of 43.7 percent has been recorded in DI in U.K from US$ 229.6 million to US$ 185.9 million during the year 2016.



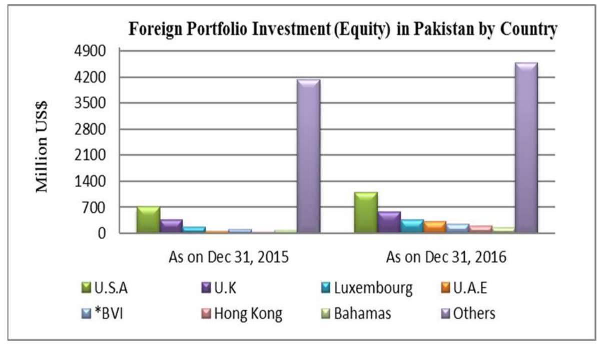
(v) Direct Investment Abroad by Economic Group

Item wise analysis indicates that financial business recorded 83.1 percent share in overall stock of direct investment abroad. The investment by this sector has increased by 5.7 percent during 2016 as compared to 2015. Majority of the stock comprise of Pakistani bank's capital in their overseas branches. DI abroad in Personal Services sector increased from US$ 16.1 million to US$ 56.4 million during the year 2016. Oil & Gas Exploration sectors witnessed a decrease of 33.6 percent during 2016. However, Fertilizers and Textile sector witnessed an increase of 11.4 and 78.4 percent respectively, or in absolute terms of US$ 5.1 and 14.5 million respectively during the year 2016.



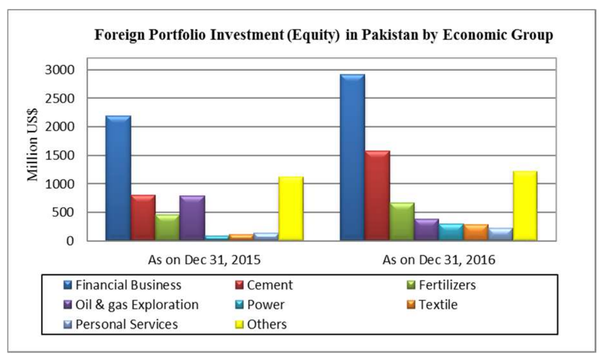
(vi) Foreign Portfolio Investment (Equity) in Pakistan by Country

Country wise foreign portfolio investment (equity) in Pakistan indicates that significant increase in investment from U.A.E and Hong Kong during 2016 as compared to last year. FPI (equity) in Pakistan increased from U.A.E and Hong Kong by 429.0 and 312.3 percent in 2016 respectively as compared to last year.



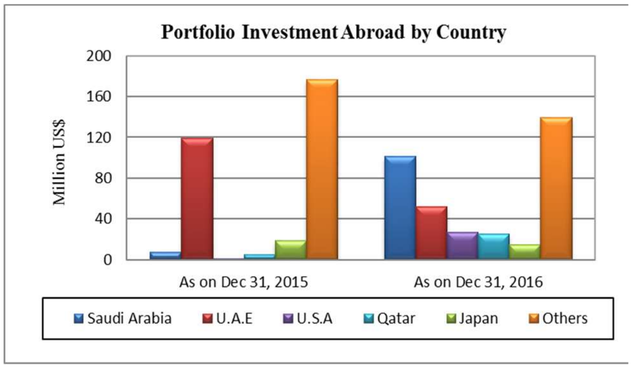
(vii) Foreign Portfolio Investment (Equity) in Pakistan by Economic Group

Economic group wise analysis reveals that FPI (equity) in Pakistan increased by 33.1 percent from US$ 5,697.0 million to US$ 7,582.4 million. This is mainly due to Financial Business, Cement, Fertilizers and Oil & Gas sectors having 38.5, 20.8, 8.7 and 5.0 percent share respectively in overall portfolio equity investment in Pakistan. Moreover, portfolio equity investment in Power, Textile and Personal Services also contributed in overall growth of FPI during the year 2016.



(viii) Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in Saudi Arabia, U.A.E, U.S.A and Qatar with 57.1 percent share in overall FPI stock. Further, overall PI witnessed an increase of 9.9 percent from US$ 326.6 million to US$ 359.1 million during the year 2016.



(ix) Portfolio Investment Abroad by Economic Group

Sector wise analysis shows that Financial Business recorded 98.6 percent share in overall stock of portfolio investment abroad. Portfolio investment by this economic group increased from US$ 326.0 million to US$ 354.0 million or by 8.6 percent during the year 2016.

Table-6 PI abroad by Economic Group

(Million US$)

Economic Group	As on Dec 31, 2015		As on Dec 31, 2016		% change in 2016
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	326.0	99.8	354.0	98.6	8.6
Communication	0.6	0.2	0.6	0.2	0.1
Transport	-	0	-	-	
Others	0.0	0	4.5	1.3	
Total	**326.6**	**100**	**359.1**	**100.0**	**9.9**

(x) External Debt by Sector, Maturity and Type

External debt by sector type and maturity reveals that general government loans increased from US$ 48,375.6 million to US$ 52,098.7 million in which short term loans decreased from US$ 1,256.5 million to US$ 1,172.3 million and long term loans increased from US$ 47,119.2 million to US$ 50,926.4 million or in absolute terms by US$ 3,807.2 million during the year 2016.

(xi) External Debt-by Creditors

External debt analysis reveals that IDA having 17.1 percent share in overall external debt of Pakistan has increased during 2016 by 1.6 percent as compared to 2015. The IMF financing having 9.5 percent share in total external debt increased from US$ 6,358.5 million to US$ 7,234.6 million or in absolute terms by US$ 876.1 million during the year 2016. Debt from China has increased by 27.7 percent with an increase of US$ 2,348.2 million during the year. Overall external debt of Pakistan witnessed an increase of 10.1 percent during the year 2016.

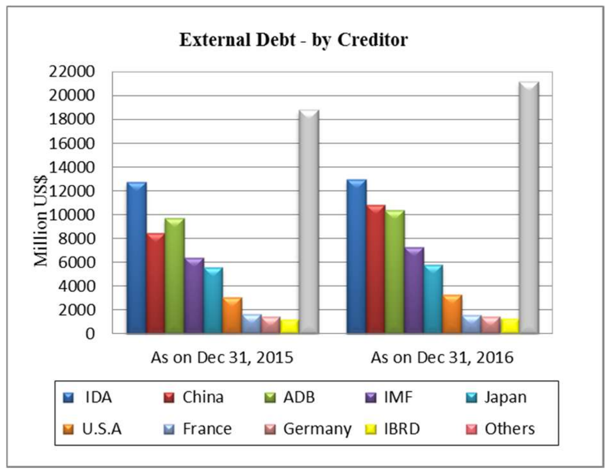


Table 7: External Debt by Creditor

(Million US$)

Creditor	As on Dec 31, 2015		As on Dec 31, 2016		% change in 2016
	Stock Position	% of Share	Stock Position	% of Share	
IDA	12,735.7	18.5	12,938.1	17.1	1.6
China	8,476.4	12.3	10,824.6	14.3	27.7
ADB	9,685.5	14.1	10,380.4	13.7	7.2
IMF	6,358.5	9.2	7,234.6	9.5	13.8
Japan	5,594.6	8.1	5,818.3	7.7	4.0
U.S.A	3,023.3	4.4	3,260.7	4.3	7.9
France	1,615.3	2.3	1,557.3	2.1	(3.6)
Germany	1,453.1	2.1	1,449.3	1.9	(0.3)
IBRD	1,170.3	1.7	1,256.2	1.7	7.3
Others	18,783.2	27.3	21,145.5	27.9	12.6
Total	**68,895.9**	**100.0**	**75,864.8**	**100.0**	**10.1**

(xii) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US$ 948.3 million of which US$ 664.0 million was principal amount and US$ 284.3 million interest during the year 2016. Major repayments were made to China, U.S.A, Japan, Saudi Arabia and France amounting to US$ 535.0 million, US$ 408.2, US$ 171.9 million, US$ 128.8 million and US$ 125.8 respectively. Most of multilaterals repayments were made to ADB, IDB (includes both short term and long term loan), IDA and IBRD amounting to US$ 921.0 million, US$ 448.7 million, US$ 416.0 million and US$ 149.3 million respectively during the year 2016.

(xiii) Reserve Assets

Reserve assets reflect that monetary gold increased from US$ 2,202.8 million to US$ 2,404.6 million which depicts an increase of 9.2 percent during 2016. Further, other reserve assets increased from US$ 16,546.0 to US$ 19,018.8 million or in absolute term to US$ 2,472.8 million which is mainly on account of securities and other claims during the year 2016.

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