

## 1. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -54,820 million at the end of 2009 to US\$ -59,162 million at year end 2010, thus reflecting a net increase in liabilities of US\$ 4,342 million or 7.9 percent. External financial assets recorded an increase of 11.9 percent from US\$ 23,374 million in 2009 to US\$ 26,159 million in 2010. This increase was mainly due to 20.3 percent rise in foreign exchange reserves during the year 2010. It is evident from Table-1 that direct and portfolio investment abroad which constitute 5.9 percent of the total assets decreased by US\$ 464 million or 23.2 percent during the year 2010.

Other investment which accounted for 25.4 percent of the total assets, comprise of trade credits, loans, currency & deposits and other assets. Trade credits which constitute 50.6 percent of other investment assets showed an increase of 8.9 percent during the year 2010. Currency and deposits with 24.6 % share in other investment also declined by US\$ 176 million from US\$ 1,811 million to US\$ 1,635 million or 9.7 percent during the year 2010.

Reserve assets that include foreign exchange reserves and monetary gold as major components constitute almost 68.6 percent of the total assets witnessed a remarkable improvement during the year 2010. Its share increased by 18.6 percent or US\$ 2,810 million during 2010. Foreign exchange reserves which hold 76.9 percent of the reserve assets recorded substantial increase of US\$ 2,331 million or 20.3 percent over the previous year. Similarly, monetary gold which is 16.2 percent of the reserve assets increased by 27.3 percent during the year 2010 due to valuation changes.

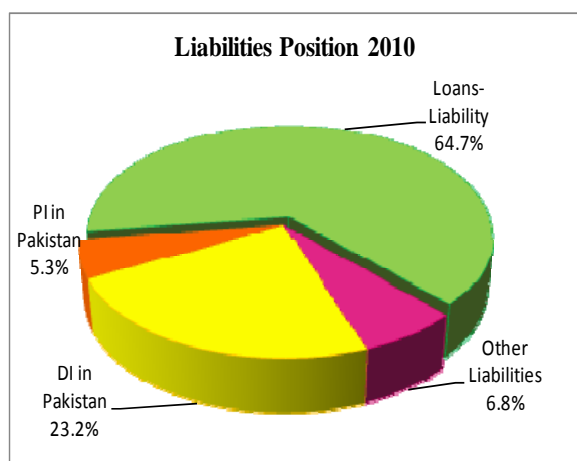
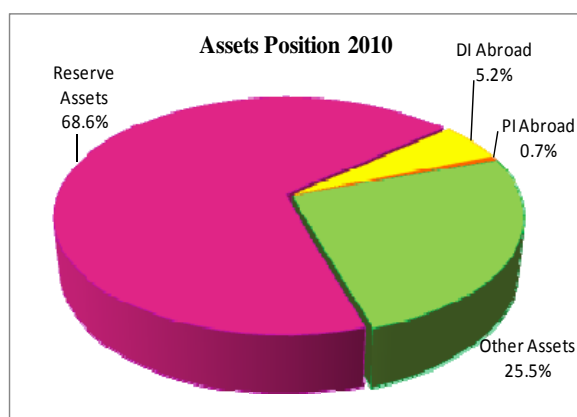
**Table1: International Investment Position 2010**

(Million US\$)				
Item	31-Dec-09		31-Dec-10	
	Stock Position	% Share	Stock Position	% Share
<b>Net International Investment Position</b>	<b>(54,820)</b>		<b>(59,162)</b>	
<b>A. Assets</b>	<b>23,374</b>	<b>100.0</b>	<b>26,159</b>	<b>100.0</b>
<b>1. Direct investment abroad</b>	<b>1,851</b>	<b>7.9</b>	<b>1,362</b>	<b>5.2</b>
<b>2. Portfolio investment</b>	<b>153</b>	<b>0.7</b>	<b>178</b>	<b>0.7</b>
<b>3. Financial derivatives</b>	<b>27</b>	<b>0.1</b>	<b>21</b>	<b>0.1</b>
<b>4. Other investment</b>	<b>6,203</b>	<b>26.5</b>	<b>6,649</b>	<b>25.4</b>
4.1 Trade credits	3,090	13.2	3,365	12.9
4.2 Loans	99	0.4	102	0.4
4.3 Currency and deposits	1,811	7.7	1,635	6.3
4.4 Other assets	1,204	5.2	1,547	5.9
<b>5. Reserve assets</b>	<b>15,140</b>	<b>64.8</b>	<b>17,950</b>	<b>68.6</b>
of which: Monetary gold	2,286	9.8	2,910	11.1
<b>B. Liabilities</b>	<b>78,194</b>	<b>100</b>	<b>85,321</b>	<b>100.0</b>
<b>1. Direct investment in Pakistan</b>	<b>17,673</b>	<b>22.6</b>	<b>19,828</b>	<b>23.2</b>
<b>2. Portfolio investment</b>	<b>3,548</b>	<b>4.5</b>	<b>4,488</b>	<b>5.3</b>
<b>3. Financial derivatives</b>	<b>57</b>	<b>0.1</b>	<b>51</b>	<b>0.1</b>
<b>4. Other investment</b>	<b>56,916</b>	<b>72.8</b>	<b>60,954</b>	<b>71.4</b>
4.1 Trade credits	1,365	1.7	1,551	1.8
4.2 Loans	51,604	66.0	55,194	64.7
4.3 Currency and deposits	2,130	2.7	2,242	2.6
4.4 Other liabilities	1,817	2.3	1,968	2.3

The overall liabilities of Pakistan in 2010 registered an increase of US\$ 7,127 million and stood at US\$ 85,321 million in 2010 against US\$ 78,194 million during the year 2009. This increase in liabilities is the result of higher government borrowing. Item wise analysis on liabilities side indicates that direct and portfolio investment in Pakistan which are 23.2 and 5.3 percent of the total liabilities increased from US\$ 17,673 million to US\$ 19,828 million and in absolute term by US\$ 2,155 million or 12.2 percent and from US\$ 3,548 million to US\$ 4,488 million by US\$ 940 million or 26.5 percent respectively during the year 2010. The sharp increase in portfolio investment in Pakistan was on account of investment

in equity securities and better coverage of companies, reflected under other changes.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 90.5 percent and 3.7 percent share in other investment respectively. The loans remain a major contributor which account for 64.7 percent of the total liabilities of Pakistan in the year 2010. These have increased from US\$ 51,604 million to US\$ 55,194 million or by US\$ 3,590 million and 7.0 percent over the previous year.



### Functional types of Investment

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

FDI stock in financial sector posted a sharp reversal from an increase of US\$ 1,533.8 million in the year 2009 to a decline of US\$ 695.3 million in the year 2010. The stock of FDI in financial sector stood at

US\$ 4,669.6 million or 23.5 percent of overall FDI stock in 2010 against the stock of US\$ 5,364.9 million or 30.4 percent of overall stock in the year 2009. FDI stock in communication sector witnessed marginal decrease by 9.3 percent. Although net inflows in this sector stood at US\$ 182 million but other changes of telecom sector caused the decrease in stock position of FDI in this sector. The FDI stock of oil & gas exploration and food sectors recorded significant increase from US\$ 1,499.9 million to US\$ 2,321.9 million or 54.8 percent and US\$ 163 million to US\$ 1,764.3 million or 982.3 percent respectively during the year under review. This increase in the FDI stock of oil & gas and food sector is on account of net inflows of US\$ 660.3 million and US\$ 62.8 million respectively during the year 2010.

**Table 2: FDI by Economic Group** (Million US\$)

ECONOMIC GROUP	As on Dec 31,09		As on Dec 31,10		% change in 2010
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	5,364.9	30.4	4,669.6	23.5	(13.0)
Communication	3,240.6	18.3	2,939.6	14.8	(9.3)
Oil & gas Exploration	1,499.9	8.5	2,321.9	11.7	54.8
Food	163.0	0.9	1,764.3	8.9	982.3
Power	1,210.1	6.8	1,423.5	7.2	17.6
Chemicals	729.4	4.1	924.1	4.7	26.7
Trade	481.0	2.7	764.6	3.9	59.0
Others	4,985.6	28.2	5,021.1	25.3	0.7
<b>Total</b>	<b>17,674.6</b>	<b>100.0</b>	<b>19,828.7</b>	<b>100.0</b>	<b>12.2</b>

#### (ii) Foreign Direct Investment (FDI) in Pakistan by Country

UK has major share in the FDI stock in Pakistan followed by Switzerland, UAE, and USA. Overall FDI stock particularly from Switzerland, Netherlands and Cayman Island increased in 2010 by 29.4, 22.0 and 211.5 percent respectively. However, Cayman Island showed a prominent increase of almost 3 folds

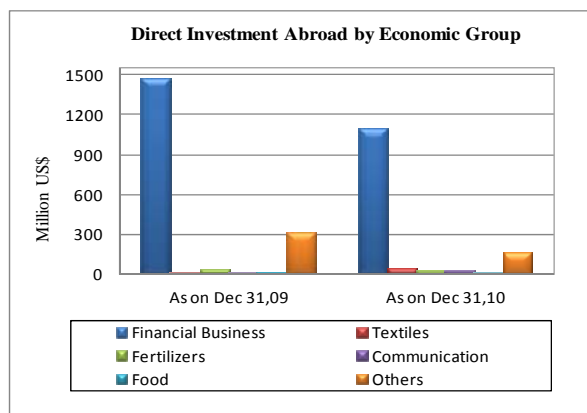
i.e. from US\$ 201.2 million to US\$ 626.9 million in the year 2010.

**Table 3: FDI by Country** (Million US\$)

COUNTRY	As on Dec 31,09		As on Dec 31,10		% change in 2010
	Stock Position	% of Share	Stock Position	% of Share	
U.K	3,489.9	82.28	4,076.5	117.5	16.81
Switzerland	2,070.7	48.82	2,680.9	77.2	29.47
U.A.E	2,216.4	52.25	2,480.8	71.5	11.93
U.S.A	1,480.8	34.91	1,534.4	44.2	3.62
Netherlands	865.6	20.41	1,056.6	30.4	22.07
China	859.2	20.26	974.1	28.1	13.37
Japan	628.3	14.81	706.4	20.4	12.43
Cayman Island	201.2	4.74	626.9	18.1	211.58
Others	5,862.6	138.21	5,692.1	164.0	(2.91)
<b>Total</b>	<b>17,674.6</b>	<b>416.7</b>	<b>19,828.7</b>	<b>571.4</b>	<b>12.2</b>

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

Item wise analysis indicates that financial business recorded 80.2 percent share in overall stock of direct investment abroad. The investment by this sector has decreased by 25.5 percent during 2010 as compared to 2009. Majority of the stock comprise of Pakistani bank’s capital in their overseas branches. Textiles sector stood at second position in the stock of DI abroad by this sector is recorded as 405.7 percent. Other sectors have less significant contribution in the overall stock of DI abroad. Overall DI abroad decreased by 26.4 percent.

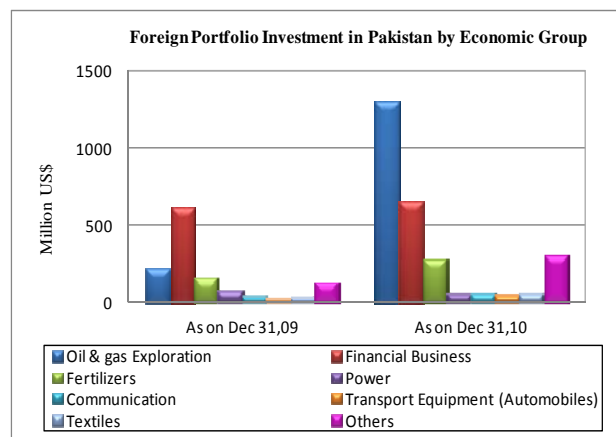


**(iv) Direct Investment abroad by Country**

Direct investment abroad is mainly concentrated in U.A.E, U.K, Bangladesh and Qatar and the investment in these countries collectively decreased from US\$ 787.3 million to US\$ 624.6 million or by 45.9 percent during the year. Major decrease of 73.5 percent has been recorded in DI in Bahrain during the year 2010.

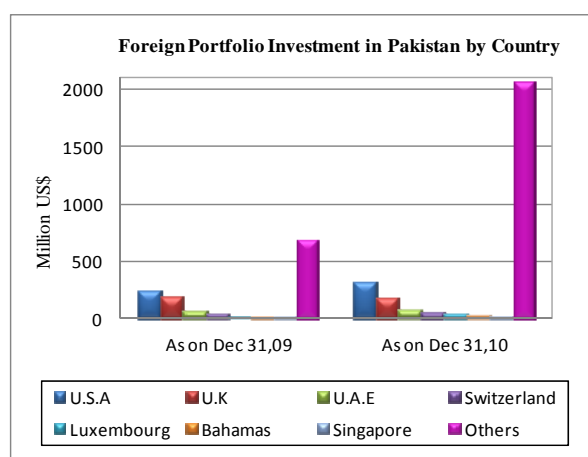
**(v) Foreign Portfolio Investment in Pakistan by economic group**

Economic group wise analysis reveals that main recipient of short term portfolio investment are oil & gas exploration and financial business with 47.5 and 23.7 percent share in overall portfolio investment in Pakistan. The stock in oil & gas exploration, financial business, fertilizers, communication, Transport equipment (automobiles) and textile sectors witnessed increase whereas power sector observed decrease during the year under review. During the year overall FPI in Pakistan significantly increased by 118.7 percent from US\$ 1,257.9 million to US\$ 2,750.9 million.



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

Country wise foreign portfolio investment in Pakistan indicates that USA and U.K are the two main investors with 11.4 and 6.6 percent share in overall portfolio investment in the country. Collective stock from these countries witnessed slight increase of 17.1 percent during the year. Comparatively higher net inflows of US\$ 64.4 million have been recorded from USA during 2010.



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

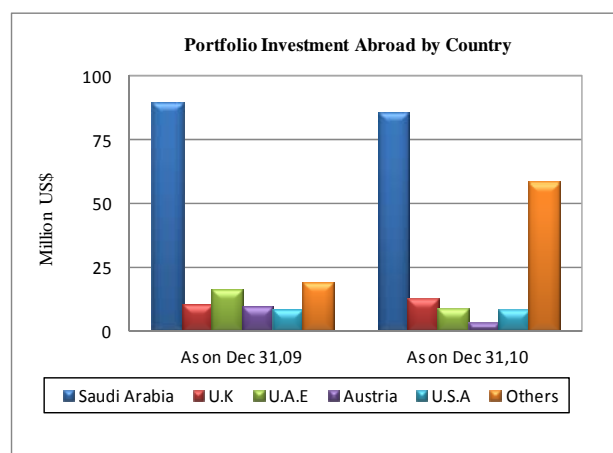
Sector wise analysis shows that Financial Business recorded 84.2 percent share in overall stock of portfolio investment abroad. The investment by the sector significantly increased by 24.0 percent at the end of December 2010 as compared to end 2009. Communication sector declined from US\$ 5.8 million to US\$ 0.7 million by 87 percent. Overall PI abroad increased by 15.4 percent.

**Table 4: Portfolio Investment abroad by Economic Group**  
(Million US\$)

ECONOMIC GROUP	As on Dec 31,09		As on Dec 31,10		% change in 2010
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	120.0	78.4	148.7	84.2	24.0
Communication	5.8	3.8	0.7	0.4	(87.0)
Transport	0.5	0.3	0.5	0.3	9.2
Others	26.9	17.6	26.7	15.1	(0.6)
<b>Total</b>	<b>153.1</b>	<b>100.0</b>	<b>176.7</b>	<b>100.0</b>	<b>15.4</b>

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

Portfolio investment abroad is mainly concentrated in Saudi Arabia with 48.5 percent share in overall PI stock which decreased by 4.1 percent during the year 2010.



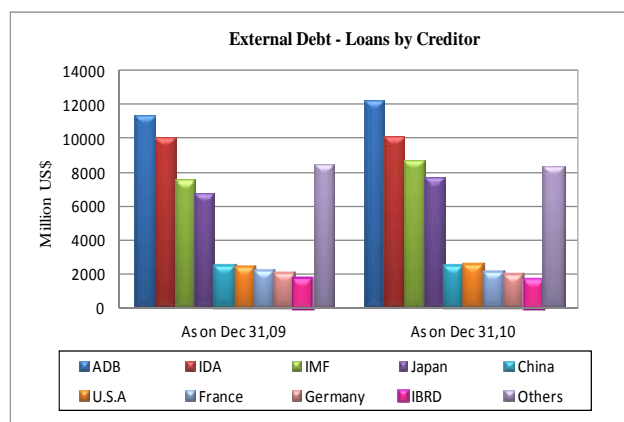
**(ix) External Debt- Loans by Creditors**

External debt analysis reveals that ADB having 21.0 percent share in overall external debt of Pakistan increased by 8.0 percent during 2010 as compared to 2009. The IMF financing having 15.0 percent share in total external debt increased from US\$ 7,494.0 million to US\$ 8,736.0 million or in absolute terms by US\$ 1,242.0 million during the year 2009. Debt from Japan has increased by 13.3 percent with a net increase of US\$ 897.9 million during the year.

Overall external debt of Pakistan witnessed increase of 4.8 percent during the year 2010.

**Table 5: External Debt by Creditor** (Million US\$)

CREDITOR	As on Dec 31,09		As on Dec 31,10		% change in 2010
	Stock Position	% of Share	Stock Position	% of Share	
ADB	11,358.7	20.4	12,264.8	21.0	8.0
IDA	10,110.0	18.2	10,151.0	17.4	0.4
IMF	7,494.0	13.5	8,736.0	15.0	16.6
Japan	6,769.7	12.2	7,667.6	13.2	13.3
China	2,569.0	4.6	2,602.0	4.5	1.3
U.S.A	2,533.9	4.6	2,672.7	4.6	5.5
France	2,309.0	4.2	2,176.5	3.7	(5.7)
Germany	2,146.5	3.9	2,005.1	3.4	(6.6)
IBRD	1,805.0	3.2	1,695.0	2.9	(6.1)
Others	8,509.4	15.3	8,308.3	14.3	(2.4)
<b>Total</b>	<b>55,605.2</b>	<b>100.0</b>	<b>58,279.0</b>	<b>100.0</b>	<b>4.8</b>



#### x) External Debt by Sector, Type and Maturity

External debt by sector type and maturity reveals that general government loans increased from US\$ 44,471.0 million to US\$ 46,723.0 million in which short term loans increased from US\$ 322.0 to US\$ 863.0 million (includes net inflow of US\$ 564.6 million from IDB) and long term loans increased from US\$ 41,974.0 million to US\$ 44,247 million.

#### xi) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,154.2 million of which US\$ 752.6 million was principal amount and US\$ 401.6 million interest during the year 2010. Major repayments were made to U.S.A, Japan and Netherlands amounting to US\$ 433.8 million, US\$ 182.7 million and US\$ 150.7 million. Most of multilaterals repayments were made to ADB, IDA and IBRD amounting to US\$ 673.9 million, US\$ 406.9 million, US\$ 248.5 million and US\$ 205.0 during the year 2010.

#### (xii) Reserve Assets

Reserve assets reflect that monetary gold increased from US\$ 2,285.5 million to US\$ 2,909.7 million with an increase of 23.7 percent during 2010. The increase is the result on account of market price (per troy ounce) of gold which is sharply increased from US\$1,104.1 million to US\$1,405.6 million during the year. Similarly Foreign exchange also increased from US\$ 11,478.9 to US\$13,809.2 million or in absolute term to US\$ 2,330.3 million (20.3 percent) during the year 2010.