

## 2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -59,823 million at the end of 2011 to US\$ -64,016 million at year end 2012, thus reflecting a net increase in liabilities of US\$ 4,193 million or 7.0 percent. External financial assets recorded a decrease of 11.9 percent from US\$ 26,574 million in 2011 to US\$ 23,401 million in 2012. This decrease was mainly due to 23.2 percent decline in reserve assets during the year 2012. It is evident from Table-1 that direct and portfolio investment abroad which constitute 8.2 percent of the total assets increased by US\$ 333 million or 20.8 percent during the year 2012.

Other investment which accounted for 35.0 percent of the total assets, comprises of trade credits, loans, currency & deposits and other assets. Trade credits which constitute 58.0 percent of other investment assets showed an increase of 9.8 percent during the year 2012. However, Currency and deposits with 26.2 percent share in other investment increased by US\$ 477 million from US\$ 1,598 million to US\$ 2,075 million or 29.9 percent during the year 2012.

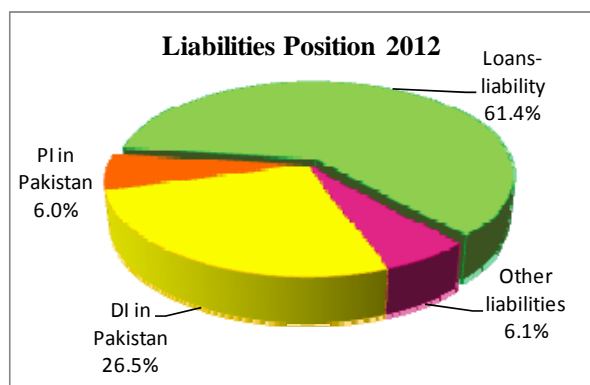
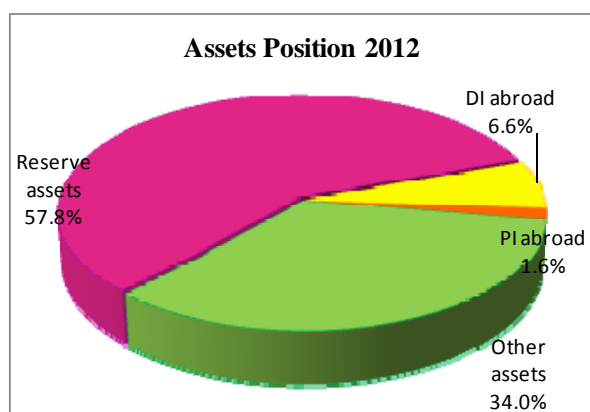
Reserve assets that include foreign exchange reserves and monetary gold as major components constitute almost 57.8 percent of the total assets declined by 23.2 percent during the year 2012. However, monetary gold which is 25.4 percent of the reserve assets increased by 8.3 percent during the year 2012 due to valuation changes. Foreign exchange reserves which hold 54.1 percent of the reserve assets recorded a decrease of US\$ 6,081.0 million or 45.4 percent over the previous year.

**Table1: International Investment Position 2012**

Item	(Million US\$)			
	31-Dec-11		31-Dec-12	
	Stock Position	% Share	Stock Position	% Share
<b>International Investment Position - net</b>	<b>(59,823)</b>		<b>(64,016)</b>	
<b>A. Assets</b>	<b>26,574</b>	<b>100.0</b>	<b>23,401</b>	<b>100.0</b>
<b>1. Direct investment abroad</b>	<b>1,401</b>	<b>5.3</b>	<b>1,550</b>	<b>6.6</b>
<b>2. Portfolio investment</b>	<b>195</b>	<b>0.7</b>	<b>379</b>	<b>1.6</b>
<b>3. Financial derivatives</b>	<b>25</b>	<b>0.1</b>	<b>22</b>	<b>0.1</b>
<b>4. Other investment</b>	<b>7,332</b>	<b>27.6</b>	<b>8,181</b>	<b>35.0</b>
4.1 Trade credits	4,320	16.3	4,743	20.3
4.2 Loans	105	0.4	108	0.5
4.3 Currency and deposits	1,598	6.0	2,075	8.9
4.4 Other assets	1,309	4.9	1,254	5.4
<b>5. Reserve assets</b>	<b>17,621</b>	<b>66.3</b>	<b>13,527</b>	<b>57.8</b>
<b>B. Liabilities</b>	<b>86,397</b>	<b>100.0</b>	<b>87,417</b>	<b>100.0</b>
<b>1. Direct investment in Pakistan</b>	<b>20,916</b>	<b>24.2</b>	<b>23,125</b>	<b>26.5</b>
<b>2. Portfolio investment</b>	<b>4,216</b>	<b>4.9</b>	<b>5,234</b>	<b>6.0</b>
<b>3. Financial derivatives</b>	<b>41</b>	<b>0.0</b>	<b>9</b>	<b>0.0</b>
<b>4. Other investment</b>	<b>61,225</b>	<b>70.9</b>	<b>59,049</b>	<b>67.5</b>
4.1 Trade credits	675	0.8	769	0.9
4.2 Loans	56,384	65.3	53,695	61.4
4.3 Currency and deposits	2,377	2.8	2,819	3.2
4.4 Other liabilities	1,790	2.1	1,765	2.0

The overall liabilities of Pakistan in 2012 recorded an increase of US\$ 1,020 million and stood at US\$ 87,417 million against US\$ 86,397 in the previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 26.5 percent of the total liabilities increased from US\$ 20,916 million to US\$ 23,125 million and in absolute term by US\$ 2,209 million or 10.6 percent whereas portfolio investment in Pakistan increased from US\$ 4,216 million to US\$ 5,234 million by US\$ 1,018 million or 24.1 percent during the year 2012.

Other investment in Pakistan includes loans and currency & deposits as major components which cover 90.9 percent and 4.8 percent share in other investment respectively. The loans remain a major contributor which account for 61.4 percent of the total liabilities of Pakistan in the year 2012. Loans have decreased from US\$ 56,384 million to US\$ 53,695 million or by US\$ 2,689 million and 4.8 percent over the previous year.



**Functional types of Investment:**

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

The stock of FDI in financial sector stood at US\$ 5,140.5 million or 22.2 percent of overall FDI stock in 2012 against the stock of US\$ 4,228.6 million or 20.2 percent of overall stock in the year 2011. FDI stock in communication sector recorded a decrease

of 11.4 percent which is caused by outflow of US\$ 739.0 million from telecom sector. The investment in power sector witnessed significant increase of 74.9 percent. This is mainly due to net flows of US\$ 77.6 million in thermal energy sector. The FDI stock of petroleum refining and food sectors recorded increase from US\$ 504.1 million to US\$ 829.4 million or 64.5 percent and US\$ 2,276.5 million to US\$ 3,119.2 million or 37.0 percent respectively during the year. However, decrease in the FDI stock of oil & gas sector is on account of other changes of US\$ 925.9 million during the year 2012.

ECONOMIC GROUP	As on Dec 31, 2011		As on Dec 31, 2012		% change in 2012
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	4,228.6	20.2	5,140.5	22.2	21.6
Communication	3,867.3	18.5	3,426.5	14.8	(11.4)
Oil & gas Exploration	2,581.0	12.3	2,411.8	10.4	(6.6)
Food	2,276.5	10.9	3,119.2	13.5	37.0
Power	1,211.0	5.8	2,117.5	9.2	74.9
Chemicals	805.0	3.8	893.6	3.9	11.0
Petroleum Refining	504.1	2.4	829.4	3.6	64.5
Others	5,442.4	26.0	5,186.34	22.4	(4.7)
<b>Total</b>	<b>20,916.0</b>	<b>100.0</b>	<b>23,124.8</b>	<b>100.0</b>	<b>10.6</b>

**(ii) Foreign Direct Investment (FDI) in Pakistan by Immediate Partner Country:**

UK has major share in the FDI stock in Pakistan followed by Switzerland, UAE, and USA. Overall FDI stock particularly from UAE, UK and

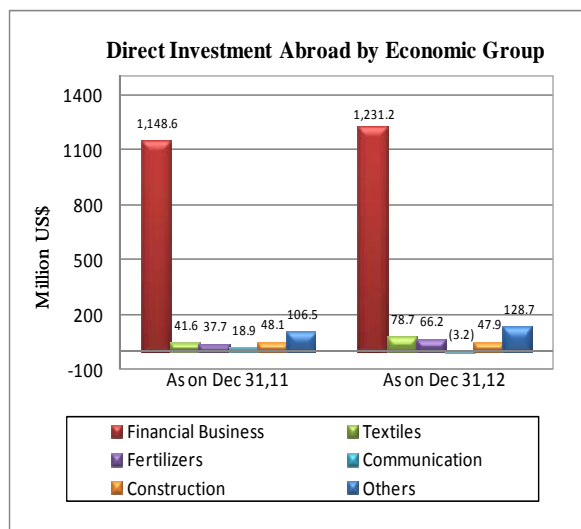
Switzerland increased in 2012 by 55.2, 22.5 and 20.0 percent respectively.

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

Country	As on Dec 31, 2011		As on Dec 31, 2012		% change in 2012
	Stock Position	% of Share	Stock Position	% of Share	
U.K	4,388.8	21.0	5,376.8	23.3	22.5
Switzerland	3,199.7	15.3	3,840.5	16.6	20.0
U.A.E	1,644.1	7.9	2,551.2	11.0	55.2
U.S.A	1,687.6	8.1	1,534.8	6.6	(9.1)
China	1,056.5	5.1	1,057.2	4.6	0.1
Netherlands	1,377.5	6.6	932.8	4.0	(32.3)
Norway	797.4	3.8	674.5	2.9	(15.4)
Cayman Island	639.2	3.1	730.4	3.2	14.3
Others	6,125.2	29.3	6,426.7	27.8	4.9
<b>Total</b>	<b>20,916.0</b>	<b>100.0</b>	<b>23,124.8</b>	<b>100.0</b>	<b>10.6</b>

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

Item wise analysis indicates that textile sector recorded 5.1 percent share in overall stock of direct investment abroad. The investment by this sector has increased by 88.9 percent in 2012 as compared to previous year. Direct investment in fertilizer sector stood second which is increased by 75.7 percent during the year 2012. Financial business sector showed growth of 7.2 percent besides having 79.5 percent share in overall stock of direct investment abroad. However, communication sector witnessed decreased of 117.2 percent, on account of other changes of US\$ 22.1 million during the year 2012. Other sectors have marginal contribution in the overall stock of DI abroad. Overall DI abroad increased by 10.6 percent from US\$ 1,401.4 million to US\$ 1,549.5 million in 2012.

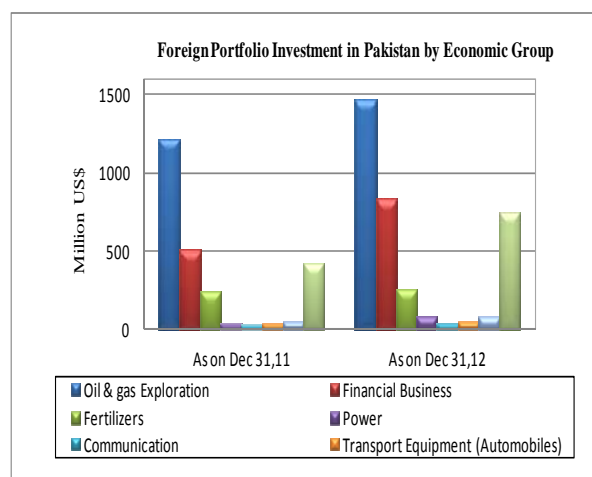


**(iv) Direct Investment Abroad by Country**

Direct investment abroad is mainly concentrated in UAE, Bangladesh, UK, and Qatar. Investment in USA has substantially increases from US\$ 48.6 million to US\$ 66.7 million or by 37.0 percent during the year. Major decrease of 8.5 percent has been recorded in DI in UK during the year 2012.

**(v) Foreign Portfolio Investment in Pakistan by Economic Group**

Economic group wise analysis reveals that FPI in Pakistan significantly increased by 40.5 percent from US\$ 2,533.8 million to US\$ 3,560.1 million. This is mainly due to financial business and power sectors having 23.3 and 2.4 percent share in overall portfolio investment in Pakistan in 2012 with an increase of 65.3 and 120.9 percent respectively over 2011. Moreover, portfolio investment in oil & gas exploration sector also witnessed positive growth of 20.8 percent during the year 2012.



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

Country wise foreign portfolio investment in Pakistan indicates that investment from Bahamas and British Virgin Island has increased from 25.1 and 12.7 percent during 2012 as compared to last year. FPI in Pakistan decreased from USA, UK, UAE, Switzerland and Luxembourg by 75.2, 34.2, 69.6, 64.7, and 55.4 percent in 2012 over corresponding period last year. However, overall FPI in Pakistan increased from US\$ 2,533.8 million to US\$ 3,560.1 million.

Country	As on Dec 31,11		As on Dec 31,12		% change in 2012
	Stock Position	% of Share	Stock Position	% of Share	
U.S.A	378.6	14.9	93.9	2.6	(75.2)
U.K	151.0	6.0	99.4	2.8	(34.2)
U.A.E	160.0	6.3	48.6	1.4	(69.6)
Switzerland	28.7	1.1	10.1	0.3	(64.7)
Luxembourg	21.9	0.9	9.8	0.3	(55.4)
Bahamas	26.6	1.1	33.3	0.9	25.1
BVI*	24.2	1.0	27.3	0.8	12.7
Others	1,742.7	68.8	3,237.8	90.9	85.8
<b>Total</b>	<b>2,533.8</b>	<b>100.0</b>	<b>3,560.1</b>	<b>100.0</b>	<b>40.5</b>

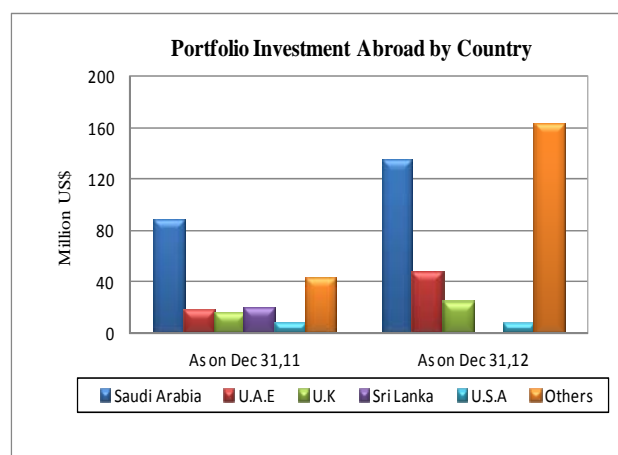
\* British Virgin Island

### (vii) Foreign 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. The investment by this sector significantly increased by 94.2 percent in 2012 as compared to 2011. Overall PI abroad increased by 93.5 percent from US\$ 195.7 million to US\$ 378.7 million during the year 2012.

Table-5 Portfolio Investment Abroad by Economic Group (Million US\$)

Economic Group	As on Dec 31, 2011		As on Dec 31, 2012		% change in 2012
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	194.5	99.4	377.8	99.8	94.2
Communication	0.7	0.4	0.7	0.2	(6.0)
Transport	0.5	0.3	0.2	0.1	(54.2)
<b>Total</b>	<b>195.7</b>	<b>100.0</b>	<b>378.7</b>	<b>100.0</b>	<b>93.5</b>



### (viii) Foreign Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in Saudi Arabia with 35.8 percent share in overall FPI stock. Further, portfolio investment in U.A.E and UK has also increased substantially during the year 2012.

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

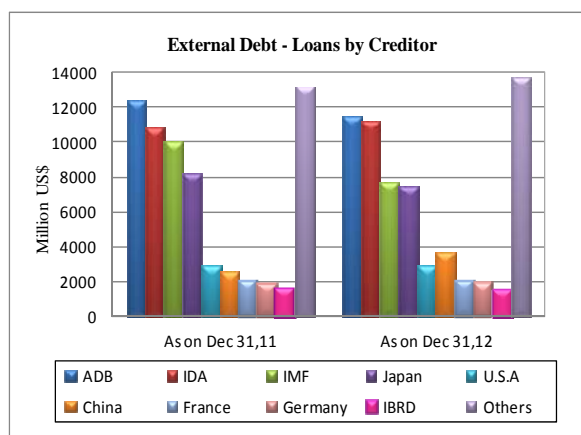
External debt analysis reveals that ADB having 18.2 percent share in overall external debt of Pakistan during 2012 has decreased by 7.0 percent as compared to 2011. The IMF financing having 12.1 percent share in total external debt decreased from US\$ 9,961.6 million to US\$ 7,683.3 million or in absolute terms by US\$ 2,278.3 million during the year 2012. Debt from China has increased by 38.9 percent with an increase of US\$ 1,015.0 million during the year. Overall external debt of Pakistan witnessed decrease of 3.2 percent during the year 2012.

CREDITOR	As on Dec 31, 2011		As on Dec 31, 2012		% change in 2012
	Stock Position	% of Share	Stock Position	% of Share	
ADB	12,425.5	18.9	11,552.7	18.2	(7.0)
IDA	10,809.6	16.4	11,183.0	17.6	3.5
IMF	9,961.6	15.1	7,683.3	12.1	(22.9)
Japan	8,189.0	12.5	7,431.0	11.7	(9.3)
U.S.A	2,882.9	4.4	2,891.7	4.5	0.3
China	2,605.9	4.0	3,620.8	5.7	38.9
France	2,109.5	3.2	2,099.0	3.3	(0.5)
Germany	1,910.7	2.9	1,914.9	3.0	0.2
IBRD	1,634.0	2.5	1,493.0	2.3	(8.6)
Others	13,224.8	20.1	13,778.2	21.6	4.2
<b>Total</b>	<b>65,753.5</b>	<b>100.0</b>	<b>63,647.6</b>	<b>100.0</b>	<b>(3.2)</b>

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

External debt by sector type and maturity reveals that general government loans decreased from US\$ 47,936.2 million to US\$ 47,177.7 million in which short term loans decreased from US\$ 396.2 to US\$ 132.0 million whereas long term loans decreased

from US\$ 47,540.0 million to US\$ 47,045.7 million or in absolute terms by US\$ 494.3 million during the year 2012.



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

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,044.1 million of which US\$ 678.3 million was principal amount and US\$ 365.8 million interest during the year 2012. Major repayments were made to U.S.A, Japan and France amounting to US\$ 426.2 million, US\$ 203.2 million and US\$ 115.0 million. Most of multilaterals repayments were made to IMF, ADB, IDA and IDB (includes both short term and long term loan) amounting to US\$ 2405.5 million, US\$ 893.4 million, US\$ 298.8 million and US\$ 297.8 million respectively during the year 2012.

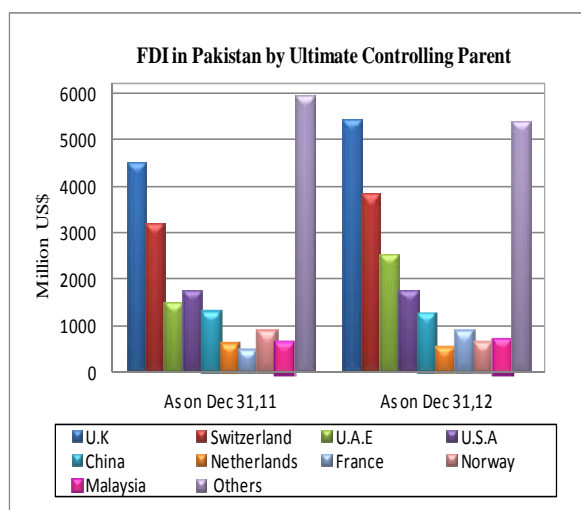
**(xii) Reserve Assets**

Reserve assets reflect that monetary gold increased from US\$ 3,170.0 million to US\$ 3,433.5 million with an increase of 8.3 percent during 2012. The increase is the result on account of market price of gold which is sharply increased from US\$ 1,530.7 to US\$ 1,657.9 (per troy ounce) during the year.

However, Foreign exchange decreased from US\$ 13,400.1 to US\$ 7,318.5 million or in absolute term to US\$ 6,081.7 million (45.4 percent) during the year 2012.

**(xiii) Foreign Direct Investment by Ultimate Controlling Parent (UCP) Country**

From 2011, State Bank of Pakistan initiated compilation of foreign direct investment in Pakistan on Ultimate Controlling Parent (UCP) basis. The country wise stock position of FDI reflects that UK has major share which is 23.5 percent of the overall FDI in Pakistan. Moreover, Overall FDI stock mainly from UK, Switzerland, UAE and France has significantly increased during 2012 by 20.9, 20.8, 70.5 and 75.1 percent respectively as compared to last year.



Country	As on Dec 31,11		As on Dec 31,12		% change in 2012
	Stock Position	% of Share	Stock Position	% of Share	
U.K	4,486.8	21.5	5,423.8	23.5	20.9
Switzerland	3,177.1	15.2	3,838.1	16.6	20.8
U.A.E	1,490.0	7.1	2,539.9	11.0	70.5
U.S.A	1,750.1	8.4	1,751.2	7.6	0.1
China	1,320.3	6.3	1,282.7	5.5	(2.9)
Netherlands	653.2	3.1	570.1	2.5	(12.7)
France	520.6	2.5	911.6	3.9	75.1
Norway	907.7	4.3	678.6	2.9	(25.2)
Malaysia	668.2	3.2	735.0	3.2	10.0
Others	5,941.9	28.4	5,393.8	23.3	(9.2)
<b>Total</b>	<b>20,916.0</b>	<b>100.0</b>	<b>23,124.8</b>	<b>100.0</b>	<b>10.6</b>