

2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -76,339.4 million at the end of 2014 to US\$ -76,701.2 million at year end 2015, thus reflecting a net increase in liabilities of US\$ 361.8 million or 0.5 percent. External financial assets recorded an increase of 21.6 percent from US\$ 24,108.1 million in 2014 to US\$ 29,307.4 million in 2015. This increase was mainly due to 34.6 percent increase in reserve assets during the year 2015. It is evident from Table-1 that direct and portfolio investment abroad which constitute 7.5 percent of the total assets increased by US\$ 16.5 million during the year 2015.

Other investment which accounted for 26.2 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 24.0 percent share in other investment increased by US\$ 510.1 million from US\$ 1,333.8 million to US\$ 1,843.8 million or 38.2 percent during the year 2015. Trade credits & advances which constitute 61.2 percent of other investment assets showed an increase of 1.8 percent during the year 2015.

Reserve assets constitute almost 66.3 percent of the total assets increased by 34.6 percent during the year 2015. Monetary gold, special drawing rights (SDR) and other reserve assets are major components of reserve assets. Other reserve assets which hold 85.2 percent of the reserve assets recorded an increase of US\$ 5,360.5 million or 47.9 percent over the previous year. Monetary gold

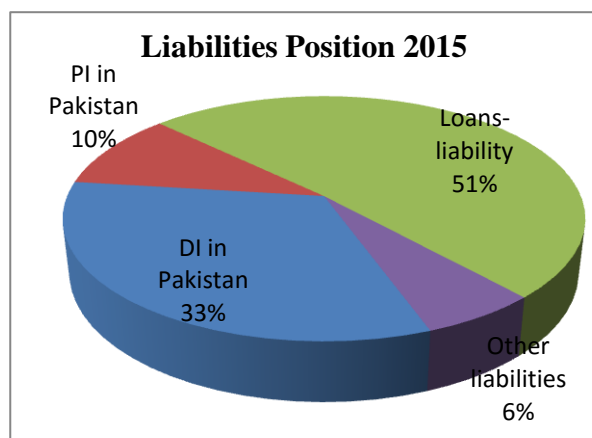
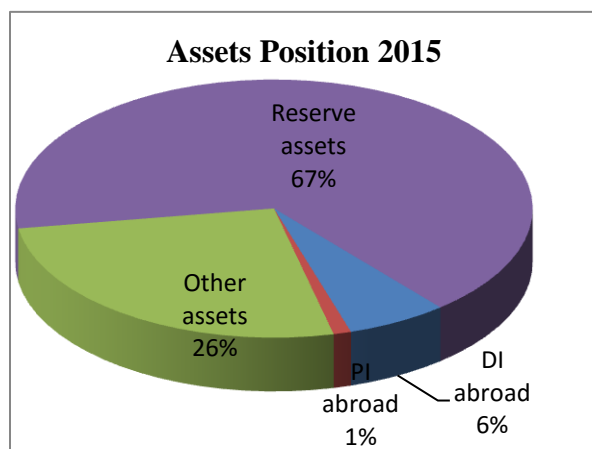
which is 11.3 percent of the reserve assets decreased by 11.4 percent during the year 2015 due to valuation changes.

The overall liabilities of Pakistan in 2015 recorded an increase of US\$ 5,561.1 million and stood at US\$ 106,008.6 million against US\$ 100,447.5 in the previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 32.5 percent of the total liabilities increased from US\$ 33,192.6 million to US\$ 34,426.7 million and in absolute term by US\$ 1,234.0 million or 3.7 percent whereas portfolio investment in Pakistan increased by US\$ 54.6 from US\$ 10,706.2 million to US\$ 10,760.8 million or 0.5 percent during the year 2015.

Item	As on Dec 31, 2014 ^a		As on Dec 31, 2015	
	Stock Position	% Share	Stock Position	% Share
International Investment Position - net	(76,339.4)		(76,701.2)	
A. Assets	24,108.1	100.0	29,307.4	100.0
1. Direct investment abroad	1,783.6	7.4	1,860.2	6.3
2. Portfolio investment	386.7	1.6	326.6	1.1
3. Financial derivatives	84.8	0.4	18.8	0.1
4. Other investment	7,423.9	30.8	7,678.8	26.2
4.1 Other equity	-	-	-	-
4.2 Currency and deposits	1,333.8	5.5	1,843.8	6.3
4.3 Loans	114.3	0.5	117.3	0.4
4.4 Insurance, pension and standardized guarantee schemes	-	-	-	-
4.5 Trade credit and advances	4,611.7	19.1	4,696.8	16.0
4.6 Other accounts receivable	1,364.1	5.7	1,020.9	3.5
5. Reserve assets	14,429.1	59.9	19,423.1	66.3
B. Liabilities	100,447.5	100.0	106,008.6	100.0
1. Direct investment in Pakistan	33,192.6	33.0	34,426.7	32.5
2. Portfolio investment	10,706.2	10.7	10,760.8	10.2
3. Financial derivatives	16.0	0.0	4.4	0.0
4. Other investment	56,532.7	56.3	60,816.8	57.4
4.1 Other equity	-	-	-	-
4.2 Currency and deposits	2,608.4	2.6	2,802.8	2.6
4.3 Loans	50,418.6	50.2	54,195.1	51.1
4.4 Insurance, pension and standardized guarantee schemes	-	-	-	-
4.5 Trade credit and advances	719.2	0.7	664.5	0.6
4.6 Other accounts payable	1,354.2	1.3	1,784.6	1.7
4.7 Special drawing rights (Net incurrence of liabilities)	1,432.2	1.4	1,369.9	1.3

Other investment in Pakistan includes loans and currency & deposits as major components which cover 89.1 percent and 4.6 percent share in other investment respectively. The loans remain a major

contributor which account for 51.1 percent of the total liabilities of Pakistan in the year 2015. Loans have increased from US\$ 50,418.6 million to US\$ 54,195.1 million or by US\$ 3,776.5 million and 7.5 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 Netherlands. Further, overall FDI stock from UK and Netherland is increased by 64.4 and 46.0 percent respectively in 2015 whereas China, UAE, USA and Switzerland

showed decrease of 54.4, 26.2, 19.7 and 4.8 percent respectively.

Table 2: FDI in Pakistan by Immediate Partner Country (Million US\$)

Country	As on Dec 31, 2014 ^R		As on Dec 31, 2015		% change in 2015
	Stock Position	% of Share	Stock Position	% of Share	
U.K	6,030.7	18.2	9,913.4	28.8	64.4
Switzerland	5,997.8	18.1	5,707.7	16.6	(4.8)
U.A.E	5,155.2	15.5	3,804.4	11.1	(26.2)
Netherlands	1,427.7	4.3	2,084.6	6.1	46.0
U.S.A	2,272.6	6.8	1,825.5	5.3	(19.7)
Japan	1,234.2	3.7	1,342.3	3.9	8.8
China	2,238.5	6.7	1,021.2	3.0	(54.4)
Luxembourg	841.4	2.5	1,002.6	2.9	19.2
Others	7,994.5	24.1	7,725.1	22.4	(3.4)
Total	33,192.6	100.0	34,426.7	100.0	3.7

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

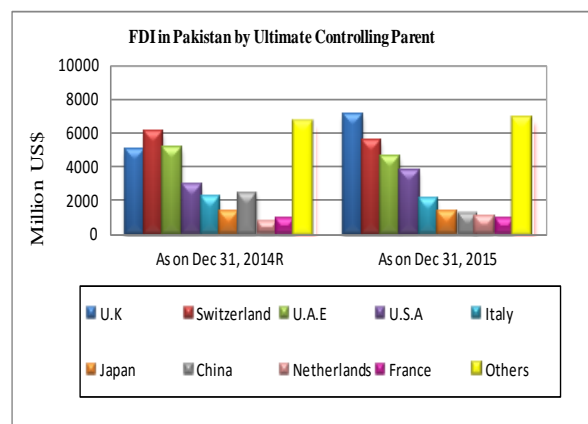
The stock of FDI in financial sector stood at US\$ 7,105.3 million or 20.6 percent of overall FDI stock in 2015 against the stock of US\$ 7,324.0 million in the year 2014. FDI stock in Communication sector recorded decrease of 40.7 percent. The investment in Tobacco & Cigarettes sector witnessed increase of 811.3 percent. The FDI stock of food and Oil & Gas Explorations sectors decreased from US\$ 3,742.7 million to US\$ 2,707.2 million or 27.7 percent and US\$ 4,392.6 million to US\$ 3,758.4 million or 14.4 percent respectively during the year 2015. Further, Transport Equipment sector recorded an increase of 34.9 percent.

Table 3: FDI in Pakistan by Economic Group

Economic Group	(Million US\$)				
	As on Dec 31, 2014 ^R		As on Dec 31, 2015		% change in 2015
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	7,324.0	22.1	7,105.3	20.6	(3.0)
Tobacco & Cigarettes	416.3	1.3	3,794.2	11.0	811.3
Oil & Gas Explorations	4,392.6	13.2	3,758.4	10.9	(14.4)
Power	3,164.0	9.5	3,311.4	9.6	4.7
Food	3,742.7	11.3	2,707.2	7.9	(27.7)
Communications	4,518.1	13.6	2,679.0	7.8	(40.7)
Transport Equipment	1,649.3	5.0	2,224.8	6.5	34.9
Others	7,985.6	24.1	8,846.5	25.7	10.8
Total	33,192.6	100.0	34,426.7	100.0	3.7

(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 20.5 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from Netherlands, UK and USA has significantly increased during 2015 by 49.0, 40.2 and 30.8



percent respectively as compared to last year. FDI from China witnessed a decrease of 50.5 percent from US\$ 2,428.5 million to US\$ 1,201.1 million or in absolute terms by US\$ 1,227.4 million during 2015. Overall stock of FDI on UCP basis has

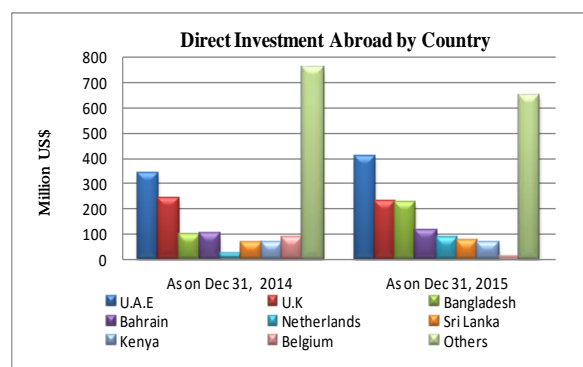
increased by 3.7 percent in 2015 over corresponding period last year.

Table 4: FDI in Pakistan by UCP Country

Country	(Million US\$)				
	As on Dec 31, 2014 ^R		As on Dec 31, 2015		% change in 2015
	Stock Position	% of Share	Stock Position	% of Share	
U.K	5,037.9	15.2	7,061.4	20.5	40.2
Switzerland	6,064.4	18.3	5,539.2	16.1	(8.7)
U.A.E	5,075.3	15.3	4,618.0	13.4	(9.0)
U.S.A	2,877.8	8.7	3,763.2	10.9	30.8
Italy	2,171.2	6.5	2,077.0	6.0	(4.3)
Japan	1,359.2	4.1	1,366.6	4.0	0.5
China	2,428.5	7.3	1,201.1	3.5	(50.5)
Netherlands	723.1	2.2	1,077.4	3.1	49.0
France	990.3	3.0	970.8	2.8	(2.0)
Others	6,464.9	19.5	6,752.0	19.6	4.4
Total	33,192.6	100.0	34,426.7	100.0	3.7

(iv) Direct Investment Abroad by Country

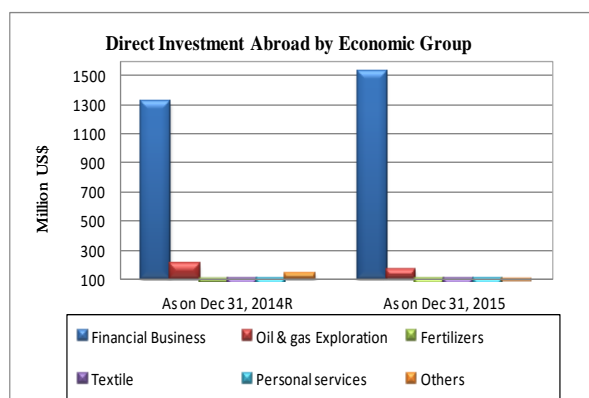
Direct investment abroad is mainly concentrated in U.A.E, U.K and Bangladesh. Investment in Bahrain and Netherlands has substantially increased from US\$ 101.9 million to US\$ 114.3 million and US\$ 22.1 million to US\$ 83.4 million respectively. Major decrease of 88.4 percent has been recorded in DI in Belgium from US\$ 88.4 million to US\$ 10.3 million during the year 2015.



(v) Direct Investment Abroad by Economic Group

Item wise analysis indicates that financial business recorded 82.3 percent share in overall stock of direct investment abroad. The investment by this

sector has increased by 16.1 percent during 2015 as compared to 2014. Majority of the stock comprise of Pakistani bank's capital in their overseas branches. DI abroad in Personal Services sector decreased from US\$ 25.3 million to US\$ 16.1 million during the year 2015. Fertilizers and Oil & Gas Exploration sectors also witnessed decrease in growth by 35.4 and 27.1 percent respectively, whereas Textile sector witnessed a decrease in growth by 3.3 percent or in absolute terms of US\$ 0.6 million during the year 2015.



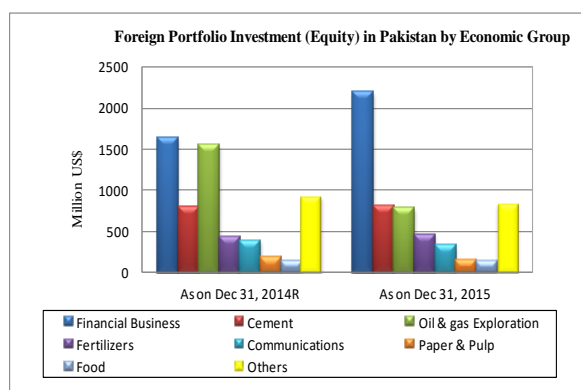
(vi) Foreign Portfolio Investment (Equity) in Pakistan by Country

Country wise foreign portfolio investment (equity) in Pakistan indicates that significant increase in investment from Luxembourg and USA during 2015 as compared to last year. FPI (equity) in Pakistan increased from UK and British Virgin Island by 61.6 and 11.7 percent in 2015 respectively as compared to last year.

Country	As on Dec 31, 2014 ^R		As on Dec 31, 2015		% change in 2015
	Stock Position	% of Share	Stock Position	% of Share	
U.S.A	112.5	1.9	719.9	12.6	540.0
U.K	233.0	3.9	376.5	6.6	61.6
Luxembourg	17.1	0.3	167.9	2.9	879.8
British Virgin Island	102.4	1.7	114.3	2.0	11.7
Bahamas	93.7	1.6	85.1	1.5	(9.2)
U.A.E	108.6	1.8	61.7	1.1	(43.2)
Philippines	64.1	1.1	60.2	1.1	(6.1)
Others	5,308.91	87.9	4,111.40	72.2	(22.6)
Total	6,040.3	100.0	5,697.0	100.0	(5.7)

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

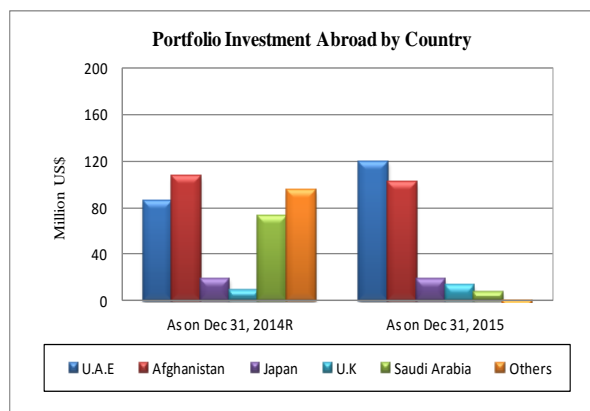
Economic group wise analysis reveals that FPI (equity) in Pakistan decreased by 5.7 percent from US\$ 6,040.3 million to US\$ 5,697.0 million. This is mainly due to financial business, cement and oil & gas sectors having 38.4, 14.1 and 13.8 percent share respectively in overall portfolio equity investment in Pakistan. Moreover, portfolio equity investment in fertilizers, communications, food and paper & pulp sectors also contributed in overall growth of FPI during the year 2015.



(viii) Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in UAE, Afghanistan and Japan with 72.9 percent

share in overall FPI stock. Further, overall PI witnessed decrease of 15.5 percent from US\$ 386.7 million to US\$ 326.6 million during the year 2015.



(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\$ 386.7 million to US\$ 326.6 million or by 15.5 percent during the year 2015.

Table-6 PI abroad by Economic Group					
(Million US\$)					
Economic Group	As on Dec 31, 2014 ^R		As on Dec 31, 2015		% change in 2015
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	386.0	99.8	326.0	99.8	(15.5)
Communication	0.6	0.2	0.6	0.2	1.7
Transport	0.0	0	-	-	
Others	0.1	0	0.0	0.0	(80.0)
Total	386.7	100	326.6	100.0	(15.5)

(x) External Debt by Sector, Maturity and Type

External debt by sector type and maturity reveals that general government loans increased from US\$ 47,090.3 million to US\$ 48,375.6 million in which short term loans increased from US\$ 1,034.5 million to US\$ 1,256.5 million, similarly long term

loans increased from US\$ 46,055.8 million to US\$ 47,119.2 million or in absolute terms by US\$ 1,063.4 million during the year 2015.

(xi) External Debt-by Creditors

External debt analysis reveals that IDA having 18.5 percent share in overall external debt of Pakistan has increased during 2015 by 7.1 percent as compared to 2014. The IMF financing having 9.2 percent share in total external debt increased from US\$ 5,000.7 million to US\$ 6,358.5 million or in absolute terms by US\$ 1,357.8 million during the year 2015. Debt from China has increased by 37.4 percent with an increase of US\$ 2,305.1 million during the year. Overall external debt of Pakistan witnessed an increase of 6.7 percent during the year 2015.

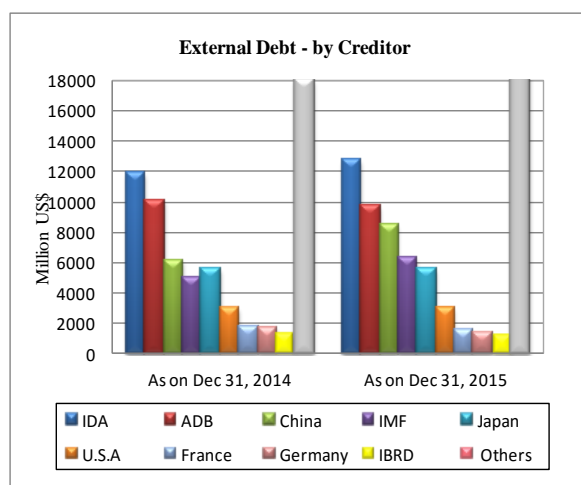


Table 7: External Debt by Creditor (Million US\$)					
Creditor	As on Dec 31, 2014		As on Dec 31, 2015		% change in 2015
	Stock Position	% of Share	Stock Position	% of Share	
IDA	11,889.7	18.4	12,735.7	18.5	7.1
ADB	10,072.1	15.6	9,685.5	14.1	(3.8)
China	6,171.3	9.6	8,476.4	12.3	37.4
IMF	5,000.7	7.7	6,358.5	9.2	27.2
Japan	5,543.1	8.6	5,594.6	8.1	0.9
U.S.A	2,997.7	4.6	3,023.3	4.4	0.9
France	1,837.3	2.8	1,615.3	2.3	(12.1)
Germany	1,737.5	2.7	1,453.1	2.1	(16.4)
IBRD	1,272.7	2.0	1,170.3	1.7	(8.0)
Others	18,040.8	27.9	18,782.8	27.3	4.1
Total	64,563.0	100.0	68,895.5	100.0	6.7

which depicts decrease of 11.4 percent during 2015. Further, other reserve assets increased from US\$ 11,185.5 to US\$ 16,546.0 million or in absolute term to US\$ 5,360.5 million which is mainly on account of currency and deposits with foreign banks abroad during the year 2015.

(xii) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 932.0 million of which US\$ 658.1 million was principal amount and US\$ 273.9 million interest during the year 2015. Major repayments were made to U.S.A, China, Japan and France amounting to US\$ 412.7 million, US\$ 406.0, US\$ 138.9 million and US\$ 118.2 million respectively. Most of multilaterals repayments were made to IDB (includes both short term and long term loan), ADB, IMF, and IDA amounting to US\$ 947.0 million, US\$ 875.1 million, US\$ 464.2 million and US\$ 365.7 million respectively during the year 2015.

(xiii) Reserve Assets

Reserve assets reflect that monetary gold decreased from US\$ 2,485.7 million to US\$ 2,202.8 million

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