

2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -89,981.7 million at the end of 2016 to US\$ -104,681.1 million at year end 2017, thus reflecting a net increase in liabilities of US\$ 14,699.4 million or 16.3 percent. External financial assets recorded decrease of 11.6 percent from US\$ 32,352.4 million in 2016 to US\$ 28,585.2 million in 2017. This decrease was mainly due to 16.3 percent decrease in reserve assets during the year 2017. It is evident from Table-1 that direct and portfolio investment abroad which constitute 9.1 percent of the total assets increased by US\$ 296.1 million during the year 2017.

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 22.6 percent share in other investment increased by US\$ 226.5 million from US\$ 1,470.3 million to US\$ 1,696.9 million or 15.4 percent during the year 2017. Trade credits & advances which constitute 61.3 percent of other investment assets showed decrease of 13.9 percent during the year 2017.

Reserve assets constitute almost 64.6 percent of the total assets decreased by 16.3 percent during the year 2017. Monetary gold, special drawing rights (SDR) and other reserve assets are major components of reserve assets. Other reserve assets which hold 82.4 percent of the reserve assets recorded a decrease of US\$ 3,815.2 million or 20.1 percent over the previous year. Monetary gold

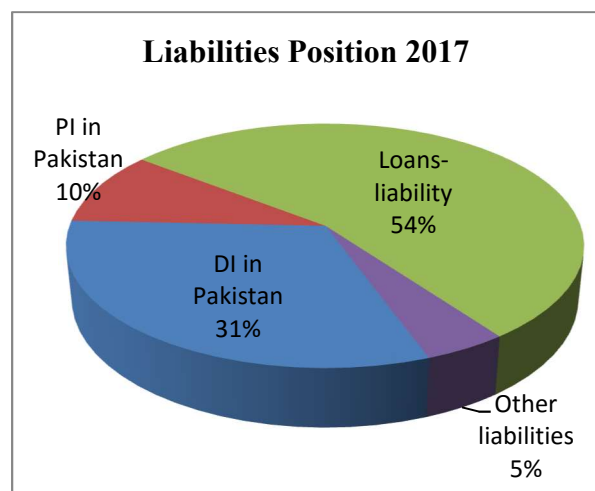
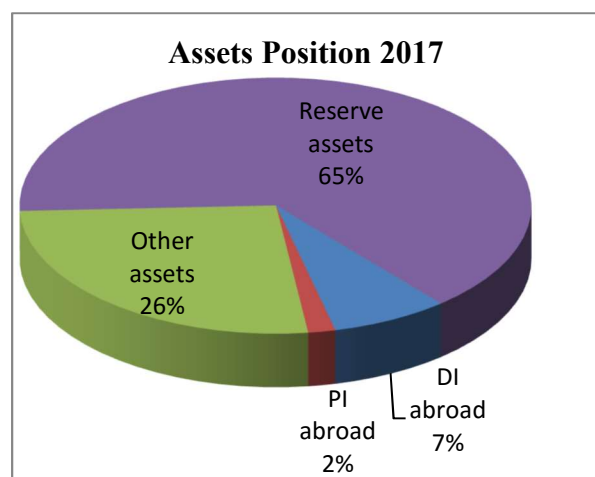
which is 14.6 percent of the reserve assets increased by 11.9 percent during the year 2017 due to valuation changes.

The overall liabilities of Pakistan in 2017 recorded an increase of US\$ 10,932.1 million and stood at US\$ 133,266.3 million against US\$ 122,334.1 at the end of previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 31.2 percent of the total liabilities decreased from US\$ 42,073.8 million to US\$ 41,637.6 million and in absolute term by US\$ 436.2 million or 1.0 percent whereas portfolio investment in Pakistan decreased by US\$ 140.2 from US\$ 13,178.4 million to US\$ 13,038.1 million or 1.1 percent during the year 2017.

Item	As on Dec 31, 2016*		As on Dec 31, 2017	
	Stock Position	% Share	Stock Position	% Share
International Investment Position - net	(89,981.7)		(104,681.1)	
A. Assets	32,352.4	100.0	28,585.2	100.0
1. Direct investment abroad	1,946.8	6.0	2,112.4	7.4
2. Portfolio investment	359.1	1.1	489.6	1.7
3. Financial derivatives	22.2	0.1	31.6	0.1
4. Other investment	7,967.2	24.6	7,496.6	26.2
4.1 Other equity	-	-	-	-
4.2 Currency and deposits	1,470.3	4.5	1,696.9	5.9
4.3 Loans	120.3	0.4	123.3	0.4
4.4 Insurance, pension and standardized guarantee scheme	-	-	-	-
4.5 Trade credit and advances	5,338.6	16.5	4,595.0	16.1
4.6 Other accounts receivable	1,037.9	3.2	1,081.5	3.8
5. Reserve assets	22,057.2	68.2	18,455.0	64.6
B. Liabilities	122,334.1	100.0	133,266.3	100.0
1. Direct investment in Pakistan	42,073.8	34.4	41,637.6	31.2
2. Portfolio investment	13,178.4	10.8	13,038.1	9.8
3. Financial derivatives	4.7	0.0	13.2	0.0
4. Other investment	67,077.3	54.8	78,577.3	59.0
4.1 Other equity	-	-	-	-
4.2 Currency and deposits	1,783.2	1.5	1,951.1	1.5
4.3 Loans	61,522.7	50.3	72,545.5	54.4
4.4 Insurance, pension and standardized guarantee scheme	-	-	-	-
4.5 Trade credit and advances	601.4	0.5	732.9	0.5
4.6 Other accounts payable	1,840.9	1.5	1,939.9	1.5
4.7 Special drawing rights (Net incurrence of liabilities)	1,329.0	1.1	1,407.8	1.1

Other investment in Pakistan includes loans and currency & deposits as major components, which cover 92.3 percent and 2.5 percent share in other investment respectively. The loans remain a major contributor, which account for 54.4 percent of the total liabilities of Pakistan in the year 2017. Loans

have increased from US\$ 61,522.7 million to US\$ 72,545.5 million or by US\$ 11,022.8 million and 17.9 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 China. Further, overall FDI stock from China and UAE is increased by 91.9 and 6.9 percent respectively in 2017, whereas Switzerland, Japan, Luxembourg,

U.S.A, U.K, and Netherlands showed decrease of 13.6, 11.4, 9.1, 5.1, 4.5 and 4.5 percent respectively.

Table 2: FDI in Pakistan by Immediate Partner Country

	(Million US\$)				
Country	As on Dec 31, 2016		As on Dec 31, 2017		% change in 2017
	Stock Position	% of Share	Stock Position	% of Share	
U.K	12,105.6	28.8	11,558.6	27.8	(4.5)
Switzerland	7,216.2	17.2	6,234.1	15.0	(13.6)
Netherlands	4,077.1	9.7	3,892.9	9.3	(4.5)
China	1,406.1	3.3	2,697.7	6.5	91.9
U.A.E	2,079.3	4.9	2,222.3	5.3	6.9
Japan	2,318.9	5.5	2,054.0	4.9	(11.4)
U.S.A	2,045.0	4.9	1,939.9	4.7	(5.1)
Luxembourg	533.0	1.3	484.4	1.2	(9.1)
Others	10,292.8	24.5	10,553.7	25.3	2.5
Total	42,073.8	100.0	41,637.6	100.0	(1.0)

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

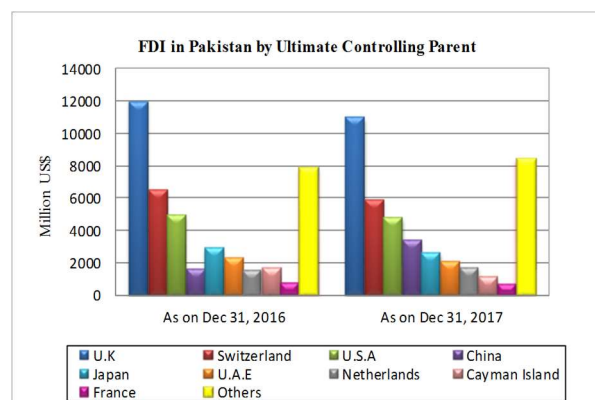
The stock of FDI in Financial Business sector stood at US\$ 8,038.1 million or 19.3 percent of overall FDI stock in 2017 against the stock of US\$ 9,139.5 million in the year 2016. FDI stock in Power, Tobacco & Cigarettes, Oil & Gas Exploration and communications recorded an increase of 38.6, 32.3, 3.4 and 0.7 percent respectively. The investment in Financial Business, Transport Equipment, and Food sector witnessed decrease of 12.1, 9.6 and 1.4 percent respectively. The FDI stock of Power and Tobacco & Cigarettes sectors increased from US\$ 3,471.5 million to US\$ 4,811.1 million and US\$ 4,995.8 million to US\$ 6,610.2 million respectively during the year 2017.

Table 3: FDI in Pakistan by Economic Group

Economic Group	(Million US\$)				
	As on Dec 31, 2016		As on Dec 31, 2017		% change in 2017
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	9,139.5	21.7	8,038.1	19.3	(12.1)
Tobacco & Cigarettes	4,995.8	11.9	6,610.2	15.9	32.3
Food	4,206.1	10.0	4,148.8	10.0	(1.4)
Power	3,471.5	8.3	4,811.1	11.6	38.6
Transport Equipment	3,019.6	7.2	2,728.2	6.6	(9.6)
Oil & Gas Explorations	2,609.0	6.2	2,698.0	6.5	3.4
Communications	2,215.2	5.3	2,231.0	5.4	0.7
Others	12,417.1	29.5	10,372.4	24.9	(16.5)
Total	42,073.8	100.0	41,637.6	100.0	(1.0)

(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 U.K has major share which is 26.4 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from China and Netherlands has significantly increased during 2017 by 105.6 and 10.4 percent respectively as compared to last year. FDI from Cayman Island witnessed a decrease of 34.0 percent from US\$ 1,693.9 million to US\$ 1,117.8 million or in absolute terms by US\$ 576.1 million during 2017.



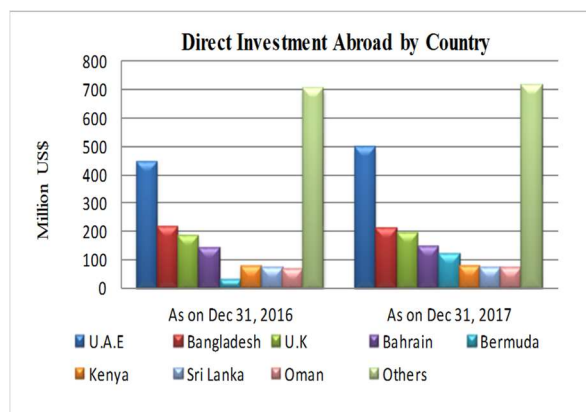
Overall stock of FDI on UCP basis has decreased by 1.0 percent in 2017 over corresponding period last year.

Table 4: FDI in Pakistan by UCP Country

Country	(Million US\$)				
	As on Dec 31, 2016		As on Dec 31, 2017		% change in 2017
	Stock Position	% of Share	Stock Position	% of Share	
U.K	11,938.5	28.4	10,989.7	26.4	(7.9)
Switzerland	6,504.3	15.5	5,887.0	14.1	(9.5)
U.S.A	4,941.4	11.7	4,757.9	11.4	(3.7)
China	1,642.8	3.9	3,377.9	8.1	105.6
Japan	2,916.1	6.9	2,615.6	6.3	(10.3)
U.A.E	2,302.3	5.5	2,101.4	5.0	(8.7)
Netherlands	1,584.8	3.8	1,748.9	4.2	10.4
Cayman Island	1,693.9	4.0	1,117.8	2.7	(34.0)
France	759.4	1.8	708.5	1.7	(6.7)
Others	7,790.3	18.5	8,332.8	20.0	7.0
Total	42,073.8	100.0	41,637.6	100.0	(1.0)

(iv) Direct Investment Abroad by Country

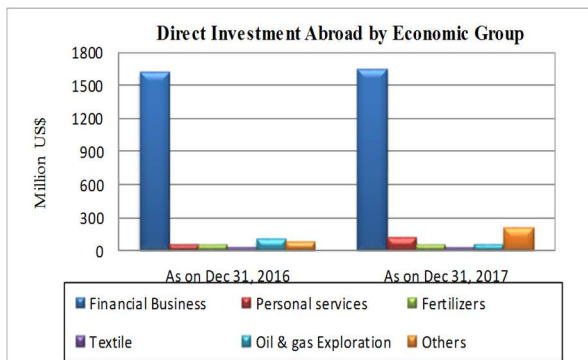
Direct investment abroad is mainly concentrated in U.A.E, Bangladesh and U.K. Investment in Bermuda and U.A.E has substantially increased from US\$ 31.8 million to US\$ 122.1 million and US\$ 446.8 million to US\$ 497.2 million respectively. Major decrease of 2.2 percent has been recorded in Bangladesh from US\$ 216.1 million to US\$ 211.3 million during the year 2017.



(v) Direct Investment Abroad by Economic Group

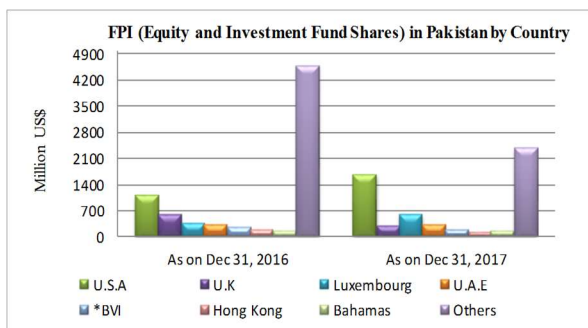
Item wise analysis indicates that Financial Business recorded 77.8 percent share in overall stock of

direct investment abroad. The investment by this sector has increased by 1.5 percent during 2017 as compared to 2016. Majority of the stock comprise of Pakistani bank's capital in their overseas branches. Direct Investment abroad in Personal Services sector increased from US\$ 56.4 million to US\$ 122.2 million during the year 2017. Oil & Gas Exploration and Textile sectors witnessed a decrease of 48.5 and 13.9 percent respectively during 2017. However, Fertilizers sector witnessed an increase of 3.6 percent or in absolute terms of US\$ 1.8 million during the year 2017.



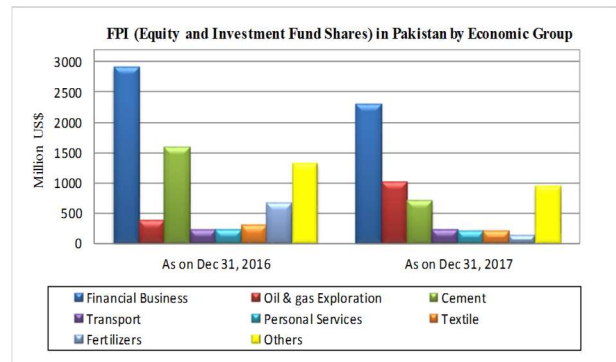
(vi) Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan by Country

Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan increased from Luxembourg and U.S.A by 66.1 and 49.8 percent in 2017 respectively as compared to last year.



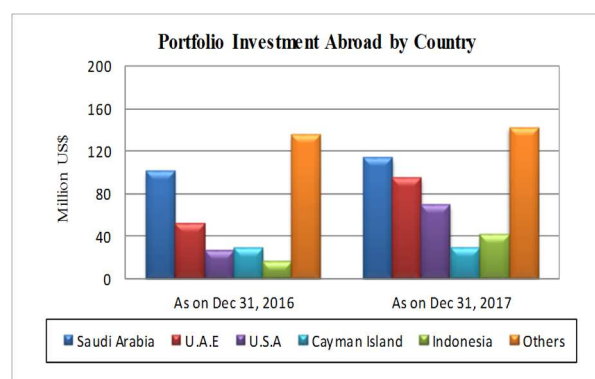
(vii) Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan by Economic Group

Economic group wise analysis reveals that FPI ((Equity and Investment Fund Shares) in Pakistan decreased by 24.5 percent from US\$ 7,582.4 million to US\$ 5,726.1 million. This is mainly due to Financial Business, Oil & Gas Exploration, Cement and Transport sectors having 40.2, 17.7, 12.4 and 4.0 percent share respectively in overall portfolio equity investment in Pakistan. Moreover, portfolio equity investment in Personal Services, Textile and Fertilizers also contributed in overall growth of FPI during the year 2017.



(viii) Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in Saudi Arabia, U.A.E, U.S.A, Cayman Island and Indonesia with 71.0 percent share in overall FPI stock. Further, overall PI witnessed an increase of 36.3 percent from US\$ 359.1 million to US\$ 489.6 million during the year 2017.



(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 increased from US\$ 354.0 million to US\$ 489.0 million or by 38.1 percent during the year 2017.

Economic Group	(Million US\$)				
	As on Dec 31, 2016		As on Dec 31, 2017		% change in 2017
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	354.0	98.6	489.0	99.9	38.1
Communication	0.6	0.2	0.6	0.1	(5.1)
Others	4.5	1.3	0.0	0.0	(99.1)
Total	359.1	100	489.6	100.0	36.3

(x) External Debt by Sector, Maturity and Type

External debt by sector type and maturity reveals that general government loans increased from US\$ 52,098.7 million to US\$ 60,602.6 million or in absolute terms by US\$ 8,503.9 million during the year 2017. Short term loans increased from US\$ 1,172.3 million to US\$ 1,325.4 million and long term loans increased from US\$ 50,926.4 million to US\$ 59,277.2 million during the year 2017.

(xi) External Debt-by Creditors

External debt analysis reveals that IDA having 15.8 percent share in total external debt of Pakistan has increased during 2017 by 9.2 percent as compared to 2016. The IMF financing having 8.6 percent share in total external debt increased from US\$ 7,234.6 million to US\$ 7,664.0 million or in absolute terms by US\$ 429.4 million during the year 2017. Debt from China has increased by 24.5 percent with an increase of US\$ 2,676.7 million during the year. Overall, external debt of Pakistan witnessed an increase of 17.6 percent during the year 2017.

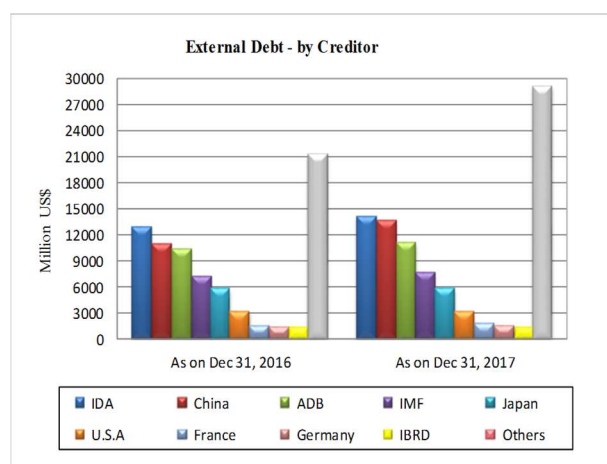


Table 7: External Debt by Creditor

Creditor	(Million US\$)				
	As on Dec 31, 2016		As on Dec 31, 2017		% change in 2017
	Stock Position	% of Share	Stock Position	% of Share	
IDA	12,938.1	17.0	14,122.3	15.8	9.2
China	10,919.6	14.4	13,596.3	15.2	24.5
ADB	10,380.4	13.7	11,165.9	12.5	7.6
IMF	7,234.6	9.5	7,664.0	8.6	5.9
Japan	5,818.3	7.7	5,835.3	6.5	0.3
U.S.A	3,177.8	4.2	3,209.0	3.6	1.0
France	1,557.3	2.1	1,770.2	2.0	13.7
Germany	1,449.3	1.9	1,588.9	1.8	9.6
IBRD	1,256.2	1.7	1,315.3	1.5	4.7
Others	21,204.2	27.9	29,063.1	32.5	37.1
Total	75,935.6	100.0	89,330.5	100.0	17.6

(xii) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,211.5 million of which US\$ 933.9 million was principal amount and US\$ 277.6 million interest during the year 2017. Major repayments made to China, U.S.A, Japan, U.A.E, France and Saudi Arabia amounting to US\$ 1,913.1 million, US\$ 423.6 million, US\$ 360.5, US\$ 255.5 million, US\$ 163.6 million and US\$ 145.5 million respectively. Most of multilaterals repayments were made to IDB (includes both short term and long term loan), ADB, IDA and IBRD amounting to US\$ 1,398.1 million, US\$ 904.1 million, US\$ 476.5 million and US\$ 147.2 million respectively during the year 2017.

(xiii) Reserve Assets

Reserve assets reflect that monetary gold increased from US\$ 2,404.6 million to US\$ 2,691.1 million, which depicts an increase of 11.9 percent during 2017. Further, other reserve assets decreased from US\$ 19,018.8 to US\$ 15,203.6 million or in absolute term to US\$ 3,815.2 million, which is mainly because of currency & deposits and other claims during the year 2017.

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