

2. Review

Overall net IIP of Pakistan shows that its worth has decreased from US\$ -112,631.9 million at the end of 2018 to US\$ -114,657.2 million at year end 2019, thus reflecting a net increase in liabilities of US\$ 2,025.3 million or 1.8 percent. External financial assets recorded increase of 25.4 percent from US\$ 21,486.9 million in 2018 to US\$ 26,944.4 million in 2019. This increase was mainly due to 39.9 percent increase in reserve assets during the year 2019. It is evident from Table-1 that direct and portfolio investment abroad which constitute 8.3 percent of the total assets decreased by US\$ 290.7 million during the year 2019.

Other investment which accounted for 30.6 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 23.6 percent share in other investment increased by US\$ 647.9 million from US\$ 1,299.3 million to US\$ 1,947.3 million or 49.9 percent during the year 2019. Trade credits & advances which constitute 62.0 percent of other investment assets showed an increase of 4.9 percent during the year 2019.

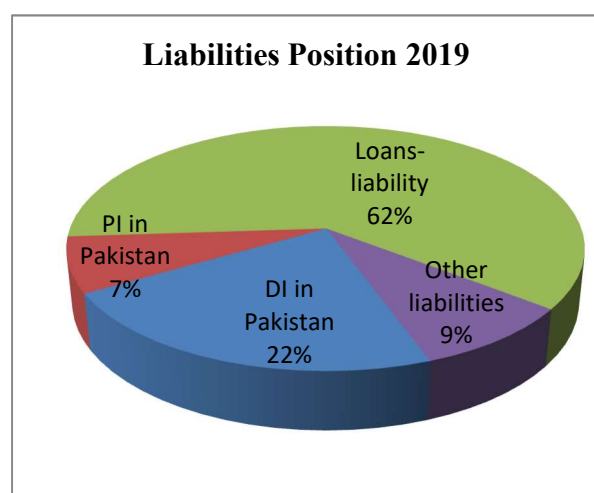
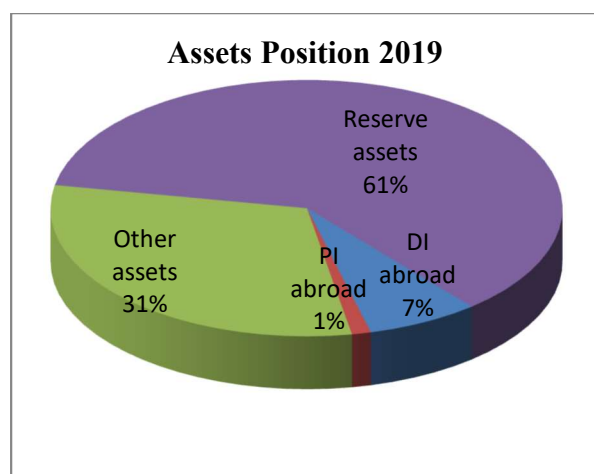
Reserve assets constitute 61.0 percent of the total assets increased by 39.9 percent during the year 2019. Monetary gold, special drawing rights (SDR) and other reserve assets are major components of reserve assets. Other reserve assets which hold 79.2 percent of the reserve assets recorded an increase of US\$ 4,348.2 million or 50.1 percent over the previous year. Monetary gold which is 19.2 percent

of the reserve assets increased by 18.9 percent during the year 2019 due to valuation changes.

The overall liabilities of Pakistan in 2019 recorded an increase of US\$ 7,482.8 million and stood at US\$ 141,601.6 million against US\$ 134,118.7 at the end of previous year. Item wise analysis of liabilities side indicates that direct investment in Pakistan which is 22.3 percent of the total liabilities decreased from US\$ 34,203.8 million to US\$ 31,509.6 million and in absolute term by US\$ 2,694.2 million or 7.9 percent whereas portfolio investment in Pakistan decreased by US\$ 935.2 million from US\$ 11,290.2 million to US\$ 10,355.0 million or 8.3 percent during the year 2019.

Item	As on Dec 31, 2018R		As on Dec 31, 2019	
	Stock Position	% Share	Stock Position	% Share
International Investment Position - net	(112,631.9)		(114,657.2)	
A. Assets	21,486.9	100.0	26,944.4	100.0
1. Direct investment abroad	2,091.5	9.7	1,915.2	7.1
2. Portfolio investment	438.7	2.0	324.3	1.2
3. Financial derivatives	27.9	0.1	19.0	0.1
4. Other investment	7,176.9	33.4	8,243.2	30.6
4.1 Other equity	0.0	0.0	0.0	0.0
4.2 Currency and deposits	1,299.3	6.0	1,947.3	7.2
4.3 Loans	126.3	0.6	127.8	0.5
4.4 Insurance, pension and standardized guarantee scheme	0.0	0.0	0.0	0.0
4.5 Trade credit and advances	4,873.1	22.7	5,113.5	19.0
4.6 Other accounts receivable	878.2	4.1	1,054.7	3.9
5. Reserve assets	11,751.9	54.7	16,442.7	61.0
B. Liabilities	134,118.7	100.0	141,601.6	100.0
1. Direct investment in Pakistan	34,203.8	25.5	31,509.6	22.3
2. Portfolio investment	11,290.2	8.4	10,355.0	7.3
3. Financial derivatives	15.2	0.0	7.6	0.0
4. Other investment	88,609.5	66.1	99,729.4	70.4
4.1 Other equity	0.0	0.0	0.0	0.0
4.2 Currency and deposits	4,109.4	3.1	7,457.1	5.3
4.3 Loans	78,981.1	58.9	86,971.8	61.4
4.4 Insurance, pension and standardized guarantee scheme	0.0	0.0	0.0	0.0
4.5 Trade credit and advances	873.4	0.7	781.9	0.6
4.6 Other accounts payable	3,270.9	2.4	3,151.6	2.2
4.7 Special drawing rights (Net incurrence of liabilities)	1,374.8	1.0	1,367.0	1.0

Other investment in Pakistan includes loans and currency & deposits as major components, which cover 87.2 percent and 7.5 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 2019. Loans have increased from US\$ 78,981.1 million to US\$ 86,971.8 million or by US\$ 7,990.7 million and 10.1 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. Overall FDI stock from China and USA showed an increase of 41.0 and 18.9 percent respectively, moreover Netherlands, Cayman Island, UK, Switzerland, Japan and UAE showed decrease of 24.8, 18.8, 17.8, 12.3, 8.0 and 0.9 percent respectively.

Table 2: FDI in Pakistan by Immediate Partner Country

Country	(Million US\$)				
	As on Dec 31, 2018		As on Dec 31, 2019		% change in 2019
	Stock Position	% of Share	Stock Position	% of Share	
U.K	10,515.6	30.7	8,648.3	27.4	(17.8)
Switzerland	4,308.5	12.6	3,780.5	12.0	(12.3)
Netherlands	3,757.4	11.0	2,827.0	9.0	(24.8)
China	1,727.9	5.1	2,437.0	7.7	41.0
U.A.E	2,169.2	6.3	2,149.2	6.8	(0.9)
U.S.A	1,227.0	3.6	1,458.3	4.6	18.9
Cayman Island	1,590.7	4.7	1,291.3	4.1	(18.8)
Japan	1,188.9	3.5	1,094.2	3.5	(8.0)
Others	7,718.6	22.6	7,824.0	24.8	1.4
Total	34,203.8	100.0	31,509.6	100.0	(7.9)

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

The stock of FDI in Financial Business sector stood at US\$ 6,076.5 million or 19.3 percent of overall FDI stock in 2019 against the stock of US\$ 6,187.7 million in the year 2018. FDI stock in Oil & Gas Exploration, Power and Communications recorded an increase of 5.5, 4.6 and 4.1 percent respectively and the investment in Tobacco & Cigarettes, Food, Transport Equipment and Financial Business witnessed decrease of 26.8, 14.1, 13.7 and 1.8 percent respectively during the year 2019.

Table 3: FDI in Pakistan by Economic Group

Economic Group	(Million US\$)				
	As on Dec 31, 2018		As on Dec 31, 2019		% change in 2019
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	6,187.7	18.1	6,076.5	19.3	(1.8)
Tobacco & Cigarettes	6,728.8	19.7	4,924.2	15.6	(26.8)
Power	4,372.4	12.8	4,573.9	14.5	4.6
Food	3,058.4	8.9	2,627.5	8.3	(14.1)
Oil & Gas Expl.	2,382.7	7.0	2,513.7	8.0	5.5
Communications	2,134.3	6.2	2,222.1	7.1	4.1
Transport Equipment	1,636.3	4.8	1,412.4	4.5	(13.7)
Others	7,703.3	22.5	7,159.2	22.7	(7.1)
Total	34,203.8	100.0	31,509.6	100.0	(7.9)

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

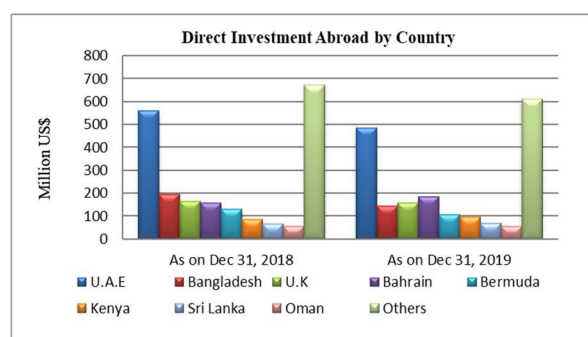
The country wise stock position of FDI on Ultimate Controlling Parent (UCP) basis reflects that U.K has major share which is 28.2 percent of the overall FDI in Pakistan. Moreover, FDI stock mainly from Netherlands and China has significantly increased during 2019 by 40.0 and 20.6 percent respectively as compared to last year. FDI from USA and Cayman Island witnessed a significantly decrease of 21.1 and 20.6 percent respectively as compared to the previous year. Overall stock of FDI on UCP basis has decreased by 7.9 percent in 2019 over corresponding period last year.

Table 4: FDI in Pakistan by UCP Country

Country	(Million US\$)				
	As on Dec 31, 2018		As on Dec 31, 2019		% change in 2019
	Stock Position	% of Share	Stock Position	% of Share	
U.K	10,277.9	30.0	8,898.2	28.2	(13.4)
Switzerland	3,832.5	11.2	3,429.4	10.9	(10.5)
U.S.A	3,728.8	10.9	2,941.3	9.3	(21.1)
China	2,440.1	7.1	2,942.1	9.3	20.6
Japan	1,564.5	4.6	1,411.7	4.5	(9.8)
Cayman Island	1,353.5	4.0	1,074.6	3.4	(20.6)
U.A.E	1,156.9	3.4	1,000.0	3.2	(13.6)
Netherlands	902.7	2.6	1,263.4	4.0	40.0
France	605.6	1.8	584.0	1.9	(3.6)
Others	8,341.4	24.4	7,964.9	25.3	(4.5)
Total	34,203.8	100.0	31,509.6	100.0	(7.9)

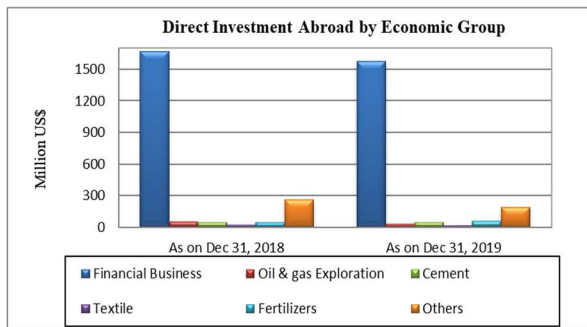
(iv) Direct Investment Abroad by Country

Direct investment abroad is mainly concentrated in U.A.E, Bahrain, U.K and Bangladesh. Investment in Bahrain and Kenya has substantially increased from US\$ 156.8 million to US\$ 183.8 million and US\$ 84.5 million to US\$ 95.2 million respectively. Major decrease of 25.5 and 17.9 percent has been recorded in Bangladesh and Bermuda from US\$ 195.4 million to US\$ 145.7 million and US\$ 130.2 million to US\$ 106.9 million respectively during the year 2019.



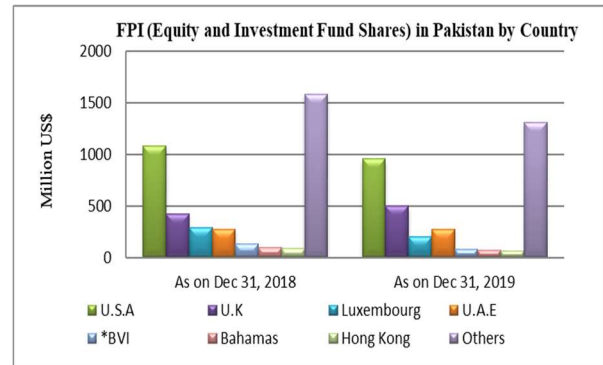
(v) Direct Investment Abroad by Economic Group

Item wise analysis indicates that Financial Business recorded 82.4 percent share in overall stock of direct investment abroad. The investment by this sector has decreased by 5.2 percent during 2019 as compared to 2018. Majority of the stock comprise of Pakistani bank’s capital in their overseas branches. Direct Investment abroad in Oil & Gas Exploration and Textile sectors decreased from US\$ 54.0 million to US\$ 29.9 million and US\$ 20.8 million to US\$ 17.1 million respectively during the year 2019. Fertilizer sector witnessed an increase of 21.6 percent during 2019.



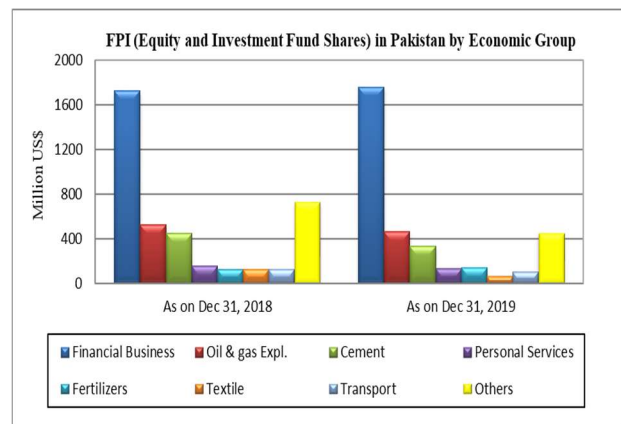
(vi) Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan by Country

Foreign Portfolio Investment (Equity and Investment Fund Shares) in Pakistan increased from U.K by 17.0 percent in 2019 as compared to last year. Whereas, British Virgin Island, Luxembourg, Bahamas and Hong Kong showed decrease of 38.9, 30.1, 24.7 and 21.3 percent respectively during 2019.



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

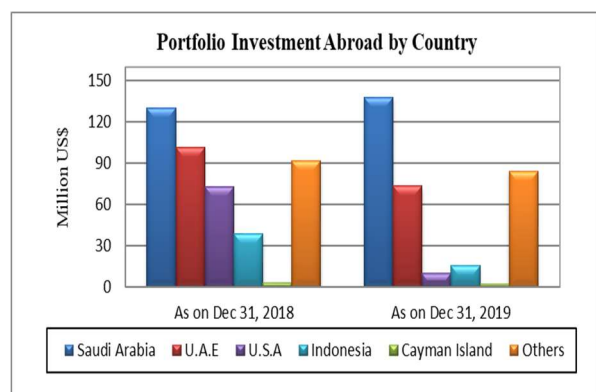
Economic group wise analysis reveals that FPI (Equity and Investment Fund Shares) in Pakistan decreased by 12.9 percent from US\$ 3,978.0 million to US\$ 3,464.9 million. This is mainly due to Financial Business, Oil & Gas Exploration, Cement and Fertilizers sectors having 50.7, 13.4, 9.7 and 4.2 percent share respectively in overall portfolio equity investment in Pakistan. Moreover, portfolio equity investment in Personal Services, Transport and Textile also contributed in overall FPI during the year 2019.



(viii) Portfolio Investment Abroad by Country

Portfolio investment abroad is mainly concentrated in Saudi Arabia, U.A.E, Indonesia, U.S.A and Cayman Islands with 74.0 percent share in overall

investment stock. Further, overall portfolio investment abroad witnessed a decrease of 26.1 percent from US\$ 438.7 million to US\$ 324.3 million during the year 2019.



(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 decreased from US\$ 438.7 million to US\$ 324.3 million or by 26.1 percent during the year 2019.

Economic Group	As on Dec 31, 2018		As on Dec 31, 2019		% change in 2019
	Stock Position	% of Share	Stock Position	% of Share	
Financial Business	438.2	99.9	323.9	99.9	(26.1)
Communication	0.5	0.1	0.4	0.1	(10.4)
Others	0.0	0.0	0.0	0.0	(10.4)
Total	438.7	100.0	324.3	100.0	(26.1)

(x) External Debt by Sector, Maturity and Type

External debt by sector type and maturity reveals that general government loans increased from US\$ 65,573.9 million to US\$ 72,427.7 million or in absolute terms by US\$ 6,853.9 million during the

year 2019. Short term loans increased from US\$ 1,037.3 million to US\$ 2,806.7 million and long term loans increased from US\$ 64,536.6 million to US\$ 69,621.1 million during the year 2019.

(xi) External Debt-by Creditors

External debt analysis reveals that China having 21.9 percent share in total external debt of Pakistan has increased from US\$ 18,637.0 million to US\$ 24,268.8 million or in absolute terms by US\$ 5,631.8 million during the year 2019. The IMF financing having 7.3 percent share in total external debt increased from US\$ 7,275.9 million to US\$ 8,097.0 million or in absolute terms by US\$ 821.1 million during the year 2019. Debt from IDA has increased by 0.6 percent and in absolute terms US\$ 89.1 million during the year. Overall, external debt of Pakistan witnessed an increase of 11.8 percent during the year 2019.

Creditor	As on Dec 31, 2018		As on Dec 31, 2019		% change in 2019
	Stock Position	% of Share	Stock Position	% of Share	
ADB	11,230.3	11.3	12,832.0	11.6	14.3
IDA	13,924.2	14.0	14,013.3	12.6	0.6
IMF	7,275.9	7.3	8,097.0	7.3	11.3
Japan	5,722.0	5.8	5,534.9	5.0	(3.3)
U.S.A	2,951.8	3.0	2,704.0	2.4	(8.4)
China	18,637.0	18.8	24,268.8	21.9	30.2
France	1,675.4	1.7	1,592.1	1.4	(5.0)
Germany	1,477.7	1.5	1,365.4	1.2	(7.6)
IBRD	1,368.1	1.4	1,422.2	1.3	4.0
Others	34,919.7	35.2	39,014.3	35.2	11.7
Total	99,182.1	100.0	110,843.8	100.0	11.8

(xii) External Debt Servicing by Creditors

External debt servicing by creditors reflects that the total repayments made to Paris club were US\$ 1,299.1 million of which US\$ 979.7 million was principal amount and US\$ 319.4 million interest during the year 2019. Major repayments made to USA, Japan, France, Germany and Korea amounting to US\$ 404.1 million, US\$ 387.7 million, US\$ 176.6, US\$ 108.7 million and US\$ 83.4 million respectively. Most of multilaterals repayments were made to ADB, IDB (includes both short term and long term loan), IMF and IDA amounting to US\$ 1,037.4 million, US\$ 786.3 million, US\$ 737.5 million and US\$ 592 million respectively during the year 2019.

(xiii) Reserve Assets

Reserve assets reflect that monetary gold increased from US\$ 2,662.5 million to US\$ 3,164.8 million, which depicts increase of 18.9 percent due to valuation changes during 2019. Further, other reserve assets increased from US\$ 8,677.8 to US\$ 13,026.0 million or in absolute term US\$ 4,348.2 million, Reserve assets increased mainly due to the currency & deposits, securities and other claims during the year 2019.

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