



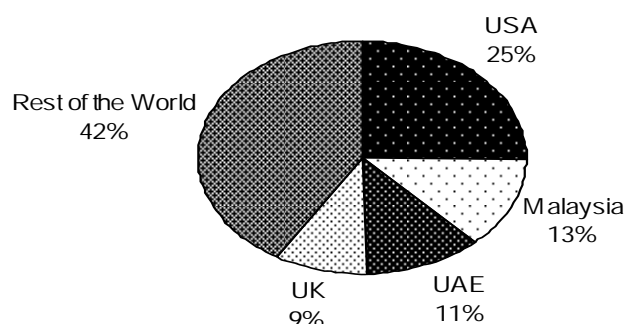
Update on Pakistan's Economy

July 26th, 2008

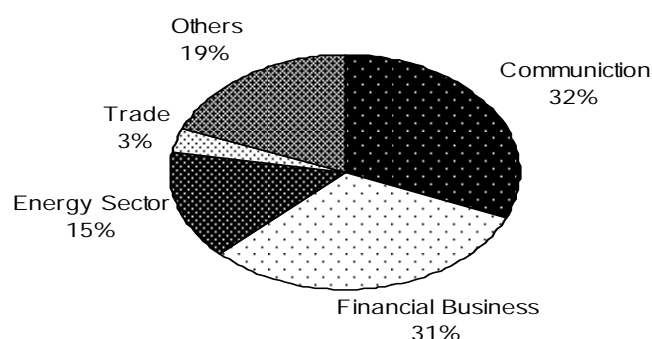
Subject: Foreign Investment during July-June, 2007-08

The SBP has released numbers pertaining to total foreign investment in Pakistan for the complete fiscal year of 2007-08. The *total foreign investment* amounted to \$ 5192.9 million in 2007-08 against \$ 8428.3 million in the corresponding period of last year thus showing a decline of 38.4%. However, further break down of foreign investment as reported in table below shows that *foreign direct investment (FDI)* amounted to \$ 5152.8 million during 2007-08 fiscal year as against \$ 5139.6 in 2006-07, showing a marginal increase of 0.3%. At the backdrop of extreme political instability and heightened security concern, Pakistan succeeded in attracting \$ 5.15 billion FDI in FY08 – almost \$ 13.2 million more than last year. Approximately \$ 1271.7 million FDI in has been transacted in June 2008 alone, reflecting continued investor's confidence in Pakistan's economy. It is also important to note that despite misperception on different issues created by the Western print and electronic media about Pakistan, the FDI from the United States has registered a handsome growth of 43.4 percent – rising from \$ 913.3 million to \$ 1309.3 million during the fiscal year 2007-08. The *total portfolio investment* registered an inflow of \$ 40.1 million as against an inflow of \$ 3288.7 million during last fiscal year 2006-07 – a decline of over \$ 3.2 billion. This deceleration in portfolio investment can be attributed to various factors including sub-prime mortgage issue that created excessive volatility in equity market globally and forced investors to reduce their exposure in emerging markets, including Pakistan, the disturbed law and order situation and political instability.

Country-Wise FDI to Pakistan, 2007-08



Sector-Wise FDI to Pakistan, 2007-08



The US has been the single largest investor in Pakistan, accounting for 25.4% of the total FDI in the July – June 2008 followed by Malaysia (12.7%), UAE (11.4%), UK (8.9%), Hong Kong (6.6%), Norway (5.3%), Switzerland (3.3%), Oman (2.7%) and so on. Communications along with financial businesses have been the major attraction for foreign investors in Pakistan, accounting for 31.5% and 31.2% respectively, followed by energy sector (oil & gas, petroleum refining and power) (15.1%), trade (3.4%), transport equipment (automobiles) 2.1%, cement (2.0%), and personal services (1.8%).

Table: Total Foreign Investment (July-June 2008) \$ Million					
	2006-07	July-June		Change over last year	
		2007	2008	Absolute	% age
Foreign Private Investment	6960.0	6960.0	5172.1	(1787.9)	(25.7)
Foreign Direct Investment	5139.6	5139.6	5152.8	13.2	0.3
<i>-Of which Privatization Proceeds</i>	266.4	266.4	133.2	(133.2)	(50.0)
<i>-without Privatization Proceeds</i>	4873.2	4873.2	5019.6		
Portfolio Investment	1820.4	1820.4	19.3	(1801.1)	(98.9)
Equity Securities	1570.4	1570.4	19.3	(1551.1)	(98.8)
<i>-of which GDRs of UBL Bank</i>	559.7	559.7	90.5		
<i>-of which GDRs of MCB Bank</i>	150.0	150.0			
<i>-of which GDRs of Lucky Cement</i>			106.5		
Debt Securities	250.0	250.0		(250.0)	(100.0)
<i>-TFCs of PMCL</i>					
<i>-International bonds of PMCL</i>	250.0	250.0		(250.0)	(100.0)
Foreign Public Investment	1468.3	1468.3	20.8	(1447.5)	(98.6)
Portfolio Investment	1468.3	1468.3	20.8	(1447.5)	(98.6)
Equity Securities	738.0	738.0		(738.0)	(100.0)
<i>-of which GDRs of OGDC</i>	738.0	738.0		(738.0)	
Debt Securities *	730.3	730.3	20.8	(709.5)	
Total Foreign Investment	8428.3	8428.3	5192.9	(3235.4)	(38.4)

* Net sale/purchase of special US\$ bonds, FEBC, DBC, T-bills and PIBs