

Debt Office, Ministry of Finance, Government of Pakistan, Islamabad

## **Update on Pakistan's Economy**

April 22nd, 2008

Subject: **Foreign Investment during July-March 2007-08**

The SBP has released numbers pertaining to total foreign investment in Pakistan during the first nine months (July-March) of the current fiscal year (2007-08). The **total foreign investment** amounted to \$ 2985.8 million in July-March, 2008 against \$ 5558.9 million in the corresponding period of last year, thus showing a decline of 46.3%. However, further break down of foreign investment as reported in table below shows that **foreign direct investment (FDI)** amounted to \$ 3038.8 million during the first nine months of the current fiscal year as against \$ 3859.1 million in the corresponding period of last year, showing a decrease of 21.3%. This decline in FDI in the month of March may be attributed to the entry of world's largest mobile phone company, China Mobile in Pakistan's communications sector last year when it bought more than 88 percent shares of Paktel which resulted in approx. \$750 million induction of capital in the country. Thus lifting FDI (July-March 2007) to \$ 3859.1 million last year. 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 79.3 percent – rising from \$ 635.8 million to \$ 1139.9 million during the first nine months (July-March) of the current fiscal year. The **total portfolio investment** registered an outflow of \$ 45.5 million as against an inflow of \$ 1026.8 million during last year's July- March. 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, the heightened political activity prior to election, the assassination of former Prime Minister Mohtarma Benazir Bhutto and the disturbances thereafter.

The US has been the single largest investor in Pakistan, accounting for 37.5% of the total FDI in the July – March 2008 followed by UAE (10.5%), UK (9.2%), Norway (4.4%), Switzerland (4.2%), Oman (4.0%), Japan (3.0%), Netherlands (2.9%) and so on. Communications along with financial

businesses have been the major attraction for foreign investors in Pakistan, accounting for 30.4% and 22.5% respectively, followed by energy sector (oil & gas, petroleum refining and power) (18.6%), trade (4.9%), construction (3.0%), cement (2.9%), personal services and transport equipment (automobiles) 2.4% each.

Table: Total Foreign Investment (July-March 2008) \$ Million							
		ion		ion			
		March	Chan	ge over I	ast ye		
2007	2008	Absolute	% age	Fore	ign Pri	vate Inve	stment
4885.9	2993.3	(1892.6)	.7)	For	eign Di	rect Inv	estment
9.63859.1	3038.8	(820.3)	(-0	f whic	h Priv	at	iz
n Proceeds	266.4	133.2	133.2	ithout	Privati	zation P	roceeds
3.2	3725.9	2905.6	(820.3	)	Portf	olio Inve	stment1
4	1026.8	(45.5)	(1072.3)	)	E	quity Se	curities
0.4	726.8	(45.5)	(772.3)	(106.3)	-o	f	
h GDRs of UBL Bank	559.790.5			-o	f		w
GDRs of MCB Bank	150.	0	150.	0			Debt Sec
ies	250.0	300.0	(300.0	(100	.	0	)
-TFCs of PMCL	50.0			-Int	e	rnationa	l bonds
MCL	250.0	250.0	(250.0)	(	100.0)		
68.3	673.0	(7.5)	(680.5)	(101.1			
68.3	673.0	(7.5)	(680	.5)	(1		
ies	738.0	738.0	(738.0)	(1	00.0)		
Rs of OGDC	738.0	738.0		(738	.0)		
*730.3	(65.0)	(7.5)	57	.5	88.5		
To	tal For	eign Inve	stment				

2

8.3 • 5558.9 • 2985.8 • (2573.1) • (46.3) • \* Net sale/purchase of special US

\$

b

o

