**Government of Pakistan**
**Ministry of Planning, Development and Special Initiatives**
**Economic Policy Wing**
**Money, Prices and Fiscal Policy Section**

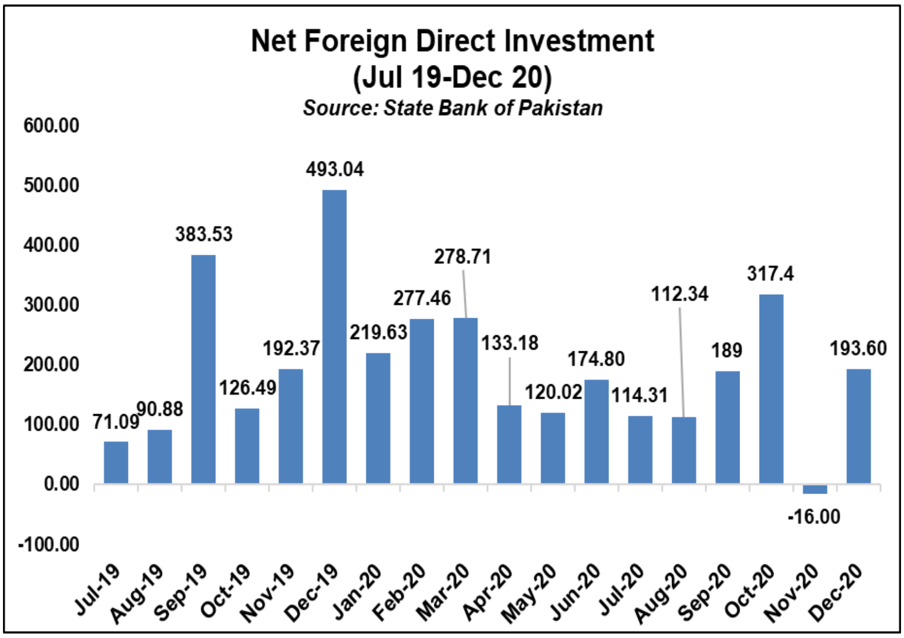
**Review of**

# Capital Market Developments II (December-2020)

### Highlights

- **FDI** registered a **net inflow** of **US $ 193.6 Mln** in December, 2020 against net inflow of US$ 493.0 Mln during corresponding period last year. Total actual change in Foreign Direct Investment from July-December 2020 was net outflow of US $404.8 Mln (29.8%).
- Foreigners became net sellers, divesting **US$ 58.9 Mln** worth of net equity in December, 2020.
- Foreign Public Portfolio Investment in debt securities **stood at US$ 67.7 Mln** in December, 2020.
- **U.A.E** was the top contributor **(US $6.3 Mn)** of equities portfolio investment **inflows** for December, 2020.
- **United Kingdom** was the top contributor **(US$ 34.3 Mn)** of equities portfolio investment **outflows** for December, 2020.
- Total traded volume of Government Securities was **Rs. 1,842,954.35 Mln** by 19th January, 2021.
- The KSE-100 index gained **2,175.62 points (4.97%)** in January 2021 as compared to the end of

## Foreign Direct Investment (FDI), December, 2020




During December 2020, Foreign Private Investment (FDI+FPI) registered a net inflow of US $ 134.8 Mln against net inflow of US$ 492.3 Mln during corresponding period last year. Total actual change in Foreign Private Investment from July-December 2020 was net outflow of US $667.9 Mln (48.5%).

During December 2020, Foreign Direct Investment (FDI) registered net inflow of US $ 193.6 Mln against net inflow of US$ 493.0 Mln during corresponding period last year. Total actual change in Foreign Direct Investment from July-December 2020 was net outflow of US $404.8 Mln (29.8%).

## Country-Wise Net FDI Disaggregation

Countries with major net inflows during month of December 2020 were China ($53.7 Mln), Hongkong ($30.9 Mln), United States ($27.7 Mln), whereas major outflows were registered from Norway ($4.4 Mln), Australia ($2.0 Mln) and Canada ($0.9 Mln).

For period July-December FY-2020, major net inflows came from China ($395.8 Mln), Norway ($288.5 Mln), and Malta ($111.1 Mln), whereas major net outflows came from U.A.E ($27.6 Mln), Kuwait ($ 8.0 Mln), and Finland ($ 2.8 Mln).

For period July-December FY-2021 (provisional figures), major net inflows came from China ($358.9 Mln), Hongkong ($86.3 Mln), Netherlands ($72.3 Mln), whereas major net outflows came from Norway ($44.1 Mln), Australia ($ 8.0 Mln), and Sweden ($ 1.2 Mln).

**Sector-Wise Net FDI Disaggregation**

Sectors with major net inflows were power ($.80.9 Mln), Trade ($28.2 Mn), Oil and gas exploration ($26.5 Mln).

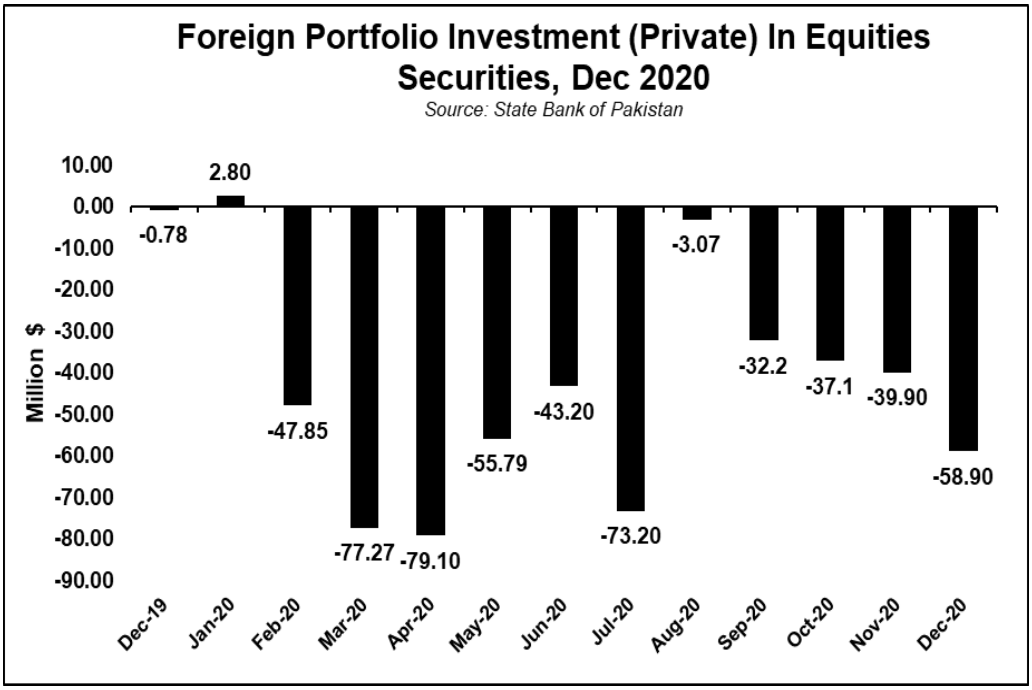
While, major net outflows were contributed by Mining and Quarrying ($2.8 Mln), Petroleum reefing ($1.9 Mln) Transport ($1.3 Mln), during December 2020.

For period July-December FY-2020, major net inflows came from Communications ($432.0Mln), Power ($262.2 Mln), Financial Business ($162.1Mln), whereas major net outflows came from Electronics ($13.9 Mln), Transport ($7.5 Mln), Chemicals ($ 7.4 Mln).

For period July-December FY-2021 (provisional figures), major net inflows came from Power($434.9 Mln), Financial Business ($145.9 Mln), Oil & Gas Explorations ($123.0 Mln), whereas major net outflows came from Petroleum Refining ($11.9 Mln), Mining and Quarrying, ($ 7.7 Mln) Electronics($ 6.4 Mln).

**Foreign Portfolio Investment (FPI) Equities Securities December 2020**

During December 2020, Foreign Private Portfolio Investment (FPI) in equities securities registered a net outflow of US $ 58.9 Mln against net outflow of US$ 0.78 Mln during corresponding period last year. Actual change over July-December 2020 was divestment of US$ 263.1 Mln.




**Country-Wise Foreign Portfolio Investment Disaggregation**

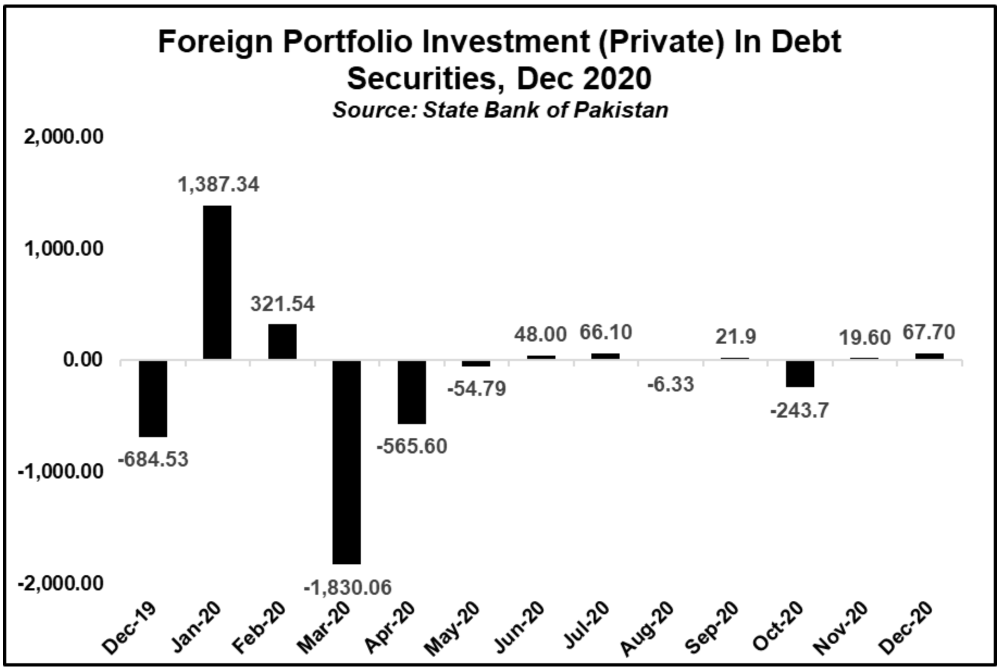
Countries with major inflows were U.A.E ($6.3 Mn), Hongkong ($3.4Mln) Sweden ($1.1Mln) . While, major outflows were contributed by United Kingdom ($34.3 Mln), United States ($20.5 Mln), Luxembourg ($7.5 Mln) during December 2020.

For period July-December FY-2020, major net inflows came from United Kingdom ($21.8 Mln), U.A.E ($13.3 Mln), Hong Kong ($12.7Mln), whereas major net outflows came from Luxembourg ($27.0Mln), Ireland ($ 11.4 Mln), Switzerland ($ 2.0Mln).

For period July-December FY-2021 (provisional figures), major net inflows came from U.A.E ($101.7 Mln), Singapore ($20.5 Mln), Canada ($4.8 Mln), whereas major net outflows came from United Kingdom ($183.6 Mln), United States ($ 126.3 Mln), Luxembourg ($ 38.4 Mln).

## Foreign Public Portfolio Investment in Debt Securities

The Foreign Public Portfolio Investment in Pakistan in debt securities stood at US$ 67.7 Mln in December 2020 against US$ -684.5 Mln during the corresponding period last year. During July-December FY-20, the actual Foreign Public Portfolio Investment in debt securities stood at US$ -646.0 Mln (142.8%).




## Total Foreign Investment, December 2020

During December 2020, Total Foreign Investment (Foreign Private Investment +Foreign Public Investment) registered a net inflow of US $ 202.4 Mln against net outflow of US$ 192.3 Mln during corresponding period last year. Total actual change in Total Foreign Investment from July-December 2020 was net outflow of US $ 1313.9 Mln (-71.9%).

**Trading Volume of Government Securities (cumulative**) was reported to be Rs. 1,842,954.35 Mln by 19th January, 2021. The realised amount out of this was Rs. 1,828,028.00 Mln. The most trading was done in the Treasury Bills with Three, Six- and Twelve-months' maturity. It was followed by Pakistan Investment Bonds and Ijara Sukuk Bonds.

## Repatriation of Profit/Dividend on Foreign Investment by Country

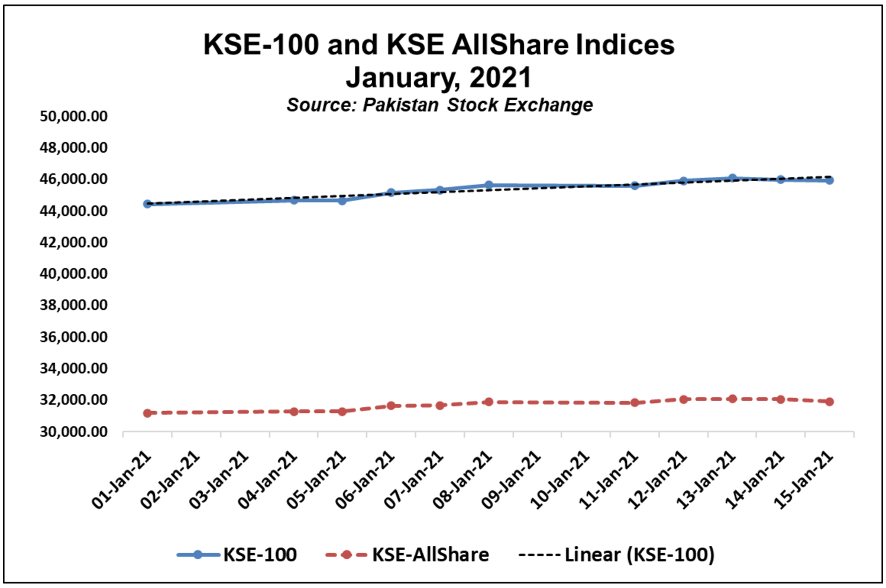
As per the latest data available, total repatriation of profit/dividend on foreign investment for November, 2020 stood at US$ 69.4 Mln, (FDI US$ 59.3 Mln and FPI US$ 10.1 Mln). The countries with highest dividend repatriation were United Kingdom ($21.1 Mn), Singapore ($14.5 Mln), and Netherlands ($6.9 Mln). While, Finland (US$ 0.2 Mln), Canada (US$ 0.1 Mln) and Sweden (US$ 0.1 Mln) marked the lowest dividend repatriation.

## Repatriation of Profit/Dividend on Foreign Investment by Sector

As per the latest data available the sector-wise analysis of total repatriation of profit/dividend for November, 2020 reveals that the highest dividend repatriation was from Oil $ Gas Explorations (US$ 1.6 Mln), Textiles (US$ 1.1 Mln) and Chemicals (US$ 1.0 Mln); whereas, Petroleum Refining (US$ 0.3 Mln), Sugar (US$ 0.2 Mln) and Pharmaceuticals & OTC Products (US$ 0.1 Mln) marked the lowest dividend repatriation.

## Performance of KSE Indices for January, 2021

Pakistan Stock Exchange (PSX) witnessed an upward sloping positive trend during January 2021. The KSE-100 index gained **2,175.62** points **(4.97%)** as compared to the end of December, 2020, while KSE-All Shares index gained **1,134.89** points **(3.69%)** for this period. The benchmark KSE-100 index closed at **45,931.00,** while KSE-All Shares index closed at **31,914.59** by end of second week. The average of KSE-100 in the period under review was 45,405.80 points.




## Stock Market Analysis January, 2021

The first week of January, 2021 witnessed an upward trend in the KSE-100 Index and closed with a gain of 1,219.54 points (2.74%) and 720.04 points (2.31%) at KSE-All Share Index to settle at 45,654.34 and 31,889.53 points respectively. Main reasons were: increase in international oil price on the conclusion of agreement among OPEC+ countries; and euphoric reaction by investors on negotiations between Independent Power Producers and the government to resolve issue of circular debt saw high buying in energy stocks.

The second week of January, 2021 witnessed an upward trend and closed with marginal gain of 276.66 points (0.60%) and 25.06 points (0.07%) at KSE-AllShare Index to settle at 45,931.00 and 31,914.59 points respectively. Main reasons were: deadlock in negotiations between the government and Independent Power Producers to reach an agreement over the circular debt issue; delays by the ECC in announcing the textile policy, dampening hopes in investors in the textile sector; improvement in Large-Scale Manufacturing sector 14.5pc year-on-year in November and increase in remittances by 16.2pc for December 2020 at $2.4bn over the same month last year.

**Conclusion:**

The month of December 2020 registered net outflow on portfolio investment in equities securities and positive on public portfolio investment in debt securities while, foreign direct investment (FDI) registered a net inflow. U.A.E and UK contributed heavily in the inflow and outflow of portfolio capital for Pakistan respectively. The stock market for January, 2021 showed an upward trend with average of 45,405.80 points for KSE-100 in the period under review.