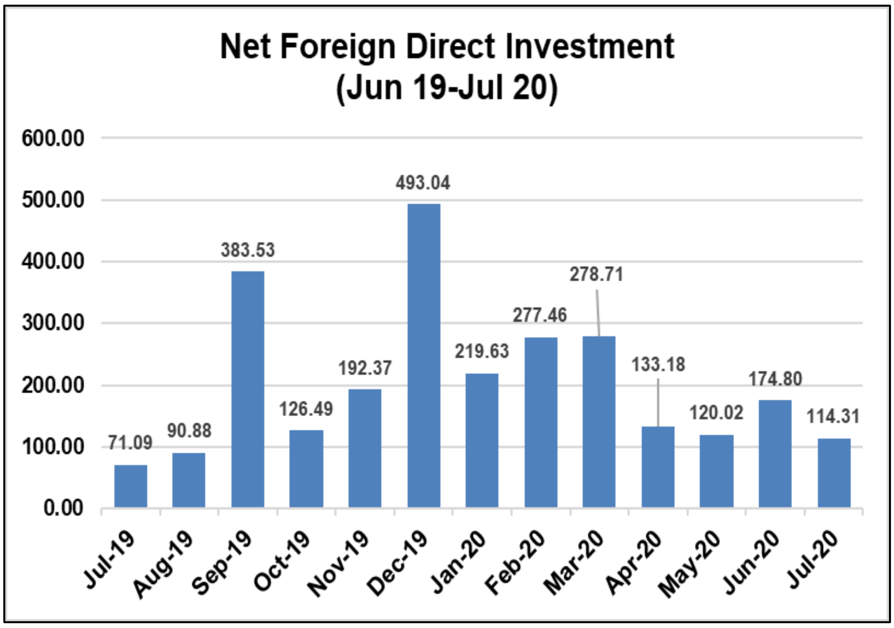
Government of Pakistan
Ministry of Planning, Development and Special Initiatives
Economic Policy Wing
Money, Prices and Fiscal Policy Section

Review of

Capital Market Developments II (July-2020)

Update on Foreign Direct Investment (FDI), July, 2020



(Source: State Bank of Pakistan)

During July 2020, Foreign Private Direct Investment (FDI) registered a net inflow of US $ 114.31 Mln against net inflow of US$ 71.09 Mln during corresponding period last year. Total absolute change in FDI over July 2019 was net inflow of US $ 43.2 Mln (60.8%). Over July 2019, FDI absolute net inflow was US $ 4.0 Mln (2.4%) and FDI absolute net outflow was 39.3 Mln (41.7%).

Country-Wise Net FDI Disaggregation

Countries with major net inflows were China ($27.1 Mn), Malta ($18.5 Mln), and Netherlands ($18.2 Mln).
While, major net outflows were contributed by U.A.E ($9.2 Mln), Sweden ($0.6 Mln), and Kuwait ($0.4 Mln) during July 2020.

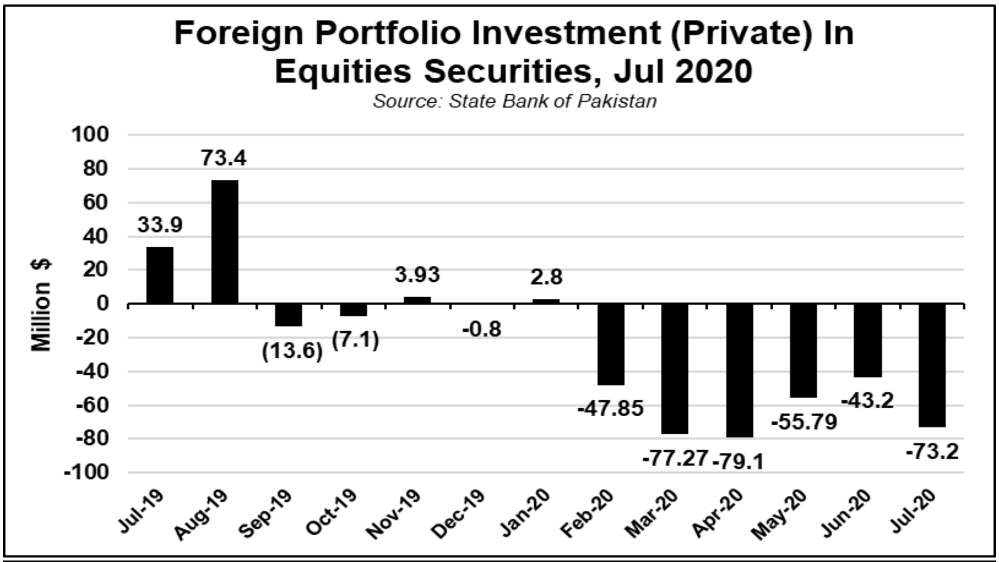
Sector-Wise Net FDI Disaggregation

Sectors with major net inflows were Electrical machinery ($29.4 Mn), Financial Business ($23.8 Mln), and Communications ($21.5 Mln).
While, major net outflows were contributed by Trade ($2.5 Mln), Petroleum Refining ($2.1 Mln), Chemicals ($1.8 Mln) during July 2020.

Highlights

- **FDI** registered a **net inflow** of **US $ 114.31** Mln in July, 2020 against net inflow of US$ 71.09 Mln in July, 2019 and US $174.80 Mln during June 2020.
- Foreigners became net sellers, divesting **US$ 73.2 Mln** worth of net equity in the Pakistani market in July, 2020.
- Foreign Public Portfolio Investment in debt securities **stood at US$ 66.1 Mln** in July, 2020.
- **U.A.E** was the top contributor **(US $22.0 Mn)** of equities portfolio investment **inflows** for July, 2020.
- **United States** was the top contributor **(US$ 50.7 Mn)** of equities portfolio investment **outflows** for July, 2020.
- Total traded volume of Government Securities was **Rs. 1.676 Bln** by 19 August, 2020.
- KSE-100 index gained **2,959.89** points **(7.92%)** by the end of third week of August, 2020 as compared to same period in previous month.

Update on Foreign Portfolio Investment (FPI) Equities Securities July, 2020

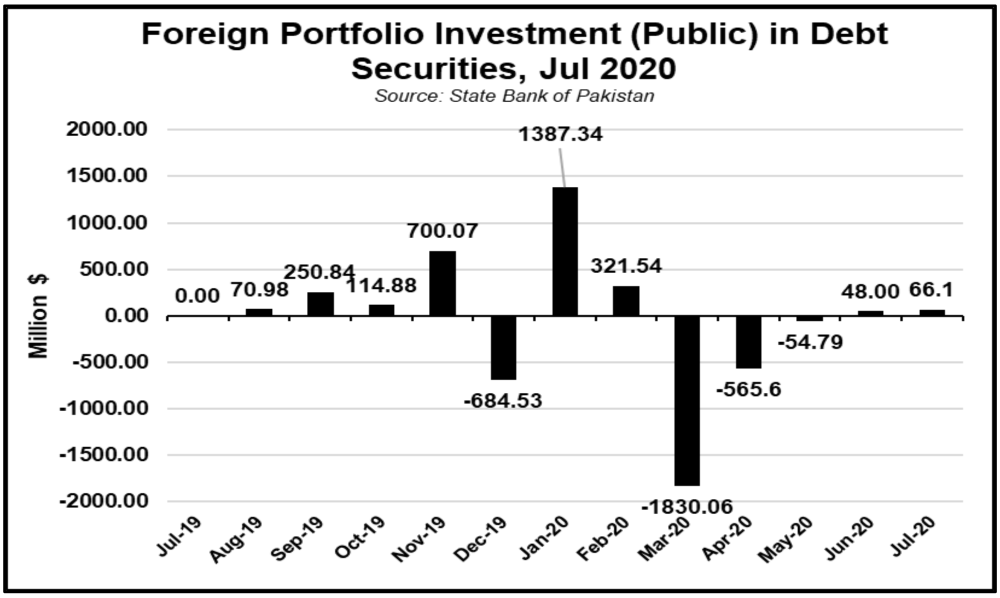


During July 2020, Foreign Private Portfolio Investment (FPI) in equities securities registered a net outflow of US $ 73.2 Mln against net inflow of US$ 33.9 Mln during corresponding period last year. Absolute change over July FY-19 was divestment of US$ 107.1 Mln (-316.2%).

Country-Wise FPI Disaggregation

Countries with major inflows were U.A.E ($22.0 Mn), Sweden ($2.0 Mln), and Singapore ($1.0 Mln). While, major outflows were contributed by United States ($50.7 Mln), United Kingdom ($31.1 Mln), Ireland ($10.2 Mln) and Luxembourg ($ 8.1 Mln) during July 2020.

Foreign Public Portfolio Investment in Debt Securities



The Foreign Public Portfolio Investment in Pakistan in debt securities stood at US$ 66.1 Mln in July 2020 against US$ 48.00 Mln during the previous month. During FY-20, the Foreign Public Portfolio Investment in debt securities stood at US$ -241.3 Mln against US$ -1,002.0 Mln in the corresponding period of the last financial year.

Trading Volume of Government Securities (cumulative) was reported to be Rs 1.676 Bln by 19 August, 2020. The most trading was done in the Treasury Bonds with Three, Six and Twelve years' maturity. It was followed by Pakistan Investment Bonds and Ijara Sukuk Bonds.

Repatriation of Profit/Dividend on Foreign Investment by Country

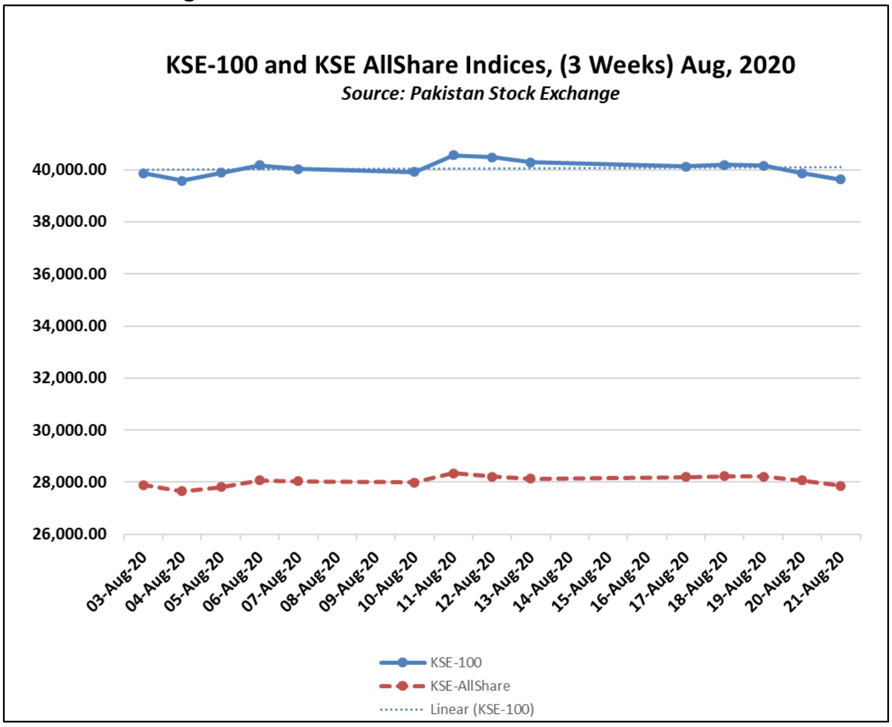
As per the latest data available, total repatriation of profit/dividend on foreign investment for June, 2020 stood at US$ 130.8 Mln, (FDI US$ 125.4 and FPI US$ 5.3 Mln). The countries with highest dividend repatriation were United States (US$ 2.8 Mln), United Kingdom (US$ 1.2 Mln) and Luxembourg (US$ 0.3 Mln); whereas Germany (US$ 0.1 Mln), and Sweden (US$ 0.1 Mln) marked the lowest dividend repatriation.

Repatriation of Profit/Dividend on Foreign Investment by Sector

The sector-wise analysis of total repatriation of profit/dividend for June, 2020 reveals that the highest dividend repatriation was from Financial Business (US$ 4.2Mln), Food (US$ 0.3 Mln), Sugar (US$ 0.2 Mln) and Chemicals (US$ 0.2 Mln) ; whereas, Transport (US$ 0.1 Mln), Power (US$ 0.1 Mln) and Pharmaceuticals & OTC Products (US$ 0.1 Mln) marked the lowest dividend repatriation.

Performance of KSE Indices for 3 Weeks of August, 2020

Pakistan Stock Exchange (PSX) witnessed an overall slightly upward sloping positive trend during three weeks of August 2020 ending on 21-08-2020. The benchmark KSE-100 index closed at **39,621.59** by gaining **2,013.97** points **(5.3%)** as compared to the third week closing of previous month, while KSE-All Shares index closed at **27,858.64** by gaining **1,139.32** points **(4.2%)**. The KSE-100 reported maximum and minimum of 40,559.15 and 39,577.62 points respectively. The average of KSE-100 in the period under review was 40,051.17 points. As an overall estimate, the bourse gained 4.9 points on daily basis showing a positive trend in the three weeks of August, 2020.



Stock Market Analysis- 3 weeks July, 2020

Two out of three weeks in August, 2020 exhibited an oscillating pattern of rise and fall at the bourse. The PSX lost 293 points and gained 305 points in the first two sessions of the first week. Similar behaviour was posited on Monday and Tuesday rallies of the second week when the bourse lost 114.93 points and gained an impressive 644.39 points the very next day.

In the opening session of the first week, the stocks gained 613.17 points owing to investor interest in the cement sector and high traded value of Rs. 25.82 Bln kept the momentum high. However, the next day, investors resorted to profit-taking by hitting the bourse with loss of 293 points. Wednesday and Thursday helped KSE-100 bounce back in the greens by posting gains of 305.16 and 283.34 points, respectively; this was due to better performance of the banking sector, rumours of increase in retail price of cement bags by about Rs. 5-7 per bag, rise in oil rates in the international market due to the US stockpile drop, and rise in price of Worldcall Telecom stocks to Rs. 1.02 from Rs. 1.

Th second week of August posted three out of four trading sessions in loss. The KSE-100 could only gain 644.39 points on Tuesday, and lost 114.93, 85.97 and 182.44 points on Monday, Wednesday and Thursday respectively. The main reasons for this decline were: investor cautiousness over statements on Kashmir issue by Foreign Minister Shah Muhammad Qureshi; profit-taking; and announcement of reserved judgement by the Supreme Court which declared that the Gas Infrastructure Development Cess (GIDC), which amounted to a huge Rs457 billion over a period two years, was required to be paid by corporates in the state`s exchequer.

The third week showed four out of five trading sessions in red. With the exception of Tuesday, when the KSE-100 gained 61 points, all sessions shed approximately 100 points on daily basis.
The main reasons for this negative trend were: profit booking by investors, power generation and distribution declined by 5.6pc after announcement of potential revision in existing power purchase agreements for most IPPs which were thought to revise downwards the annual capacity payments and reduce current equity returns.

Other positive events for the three weeks included: spectacular drop in active Covid-19 cases, approval of key projects (ML-1 Railway upgradation worth Rs11.44 trillion under CPEC by Economic Coordination Committee along with four by Central Development Working Party worth Rs16.1 billion), uptick in KIBOR, Moody`s reaffirmation on Pakistan B3 stable economic outlook, remittances for July at $2.77bn which was 36pc higher YoY and 12pc MoM basis, and Standard & Poor`s (S&P) rating agency on Thursday affirmed Pakistan`s 'B' long-term and 'B' short-term sovereign rating while maintaining 'stable' long-term outlook.

Conclusion:
The month of July 2020 registered net outflow on portfolio investment in equities securities and positive on public portfolio investment in debt securities while, foreign private direct investment (FDI) registered a net inflow. U.A.E and U.S.A contributed heavily in the inflow and outflow of portfolio capital for Pakistan respectively. The stock market for three weeks of August, 2020 showed an upward sloping positive trend with an average of 40,051.17 points.