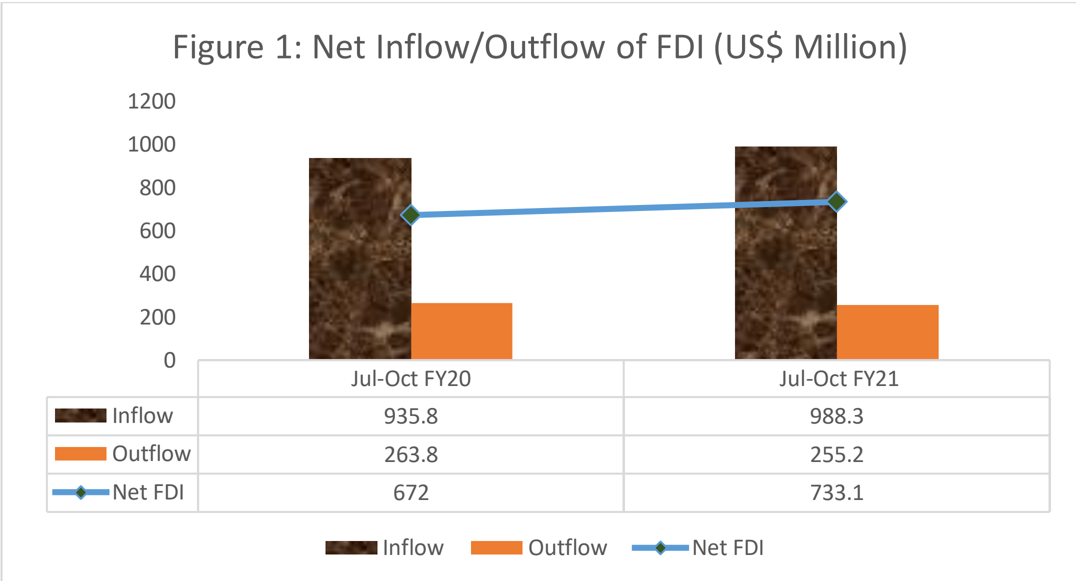
**Government of Pakistan**
**Planning Commission**
**Ministry of Planning, Development and Special Initiatives**
(International Trade & Finance Section)

## Update on Foreign Direct Investment (FDI) for Jul-Oct FY21 (Nov-2020)

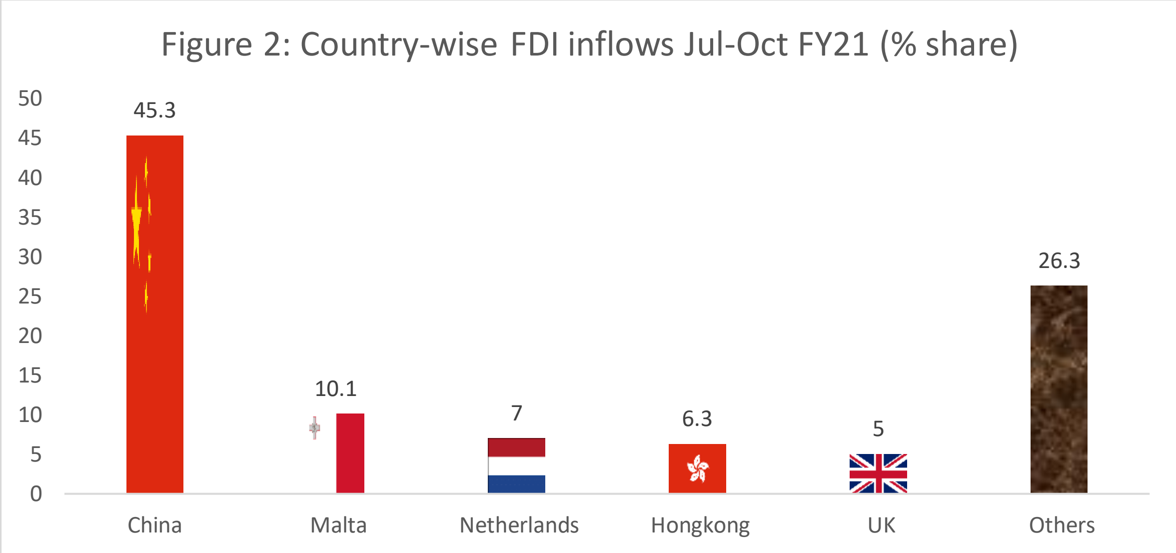
Foreign Direct Investment, being non-debt creating financial inflow, supports the balance of payments. Net foreign direct investment increased during Jul-Oct FY21 compared to corresponding period of last fiscal year. China was the major contributor and power sector attracted the larger share of inflows.




*Source: State Bank of Pakistan*

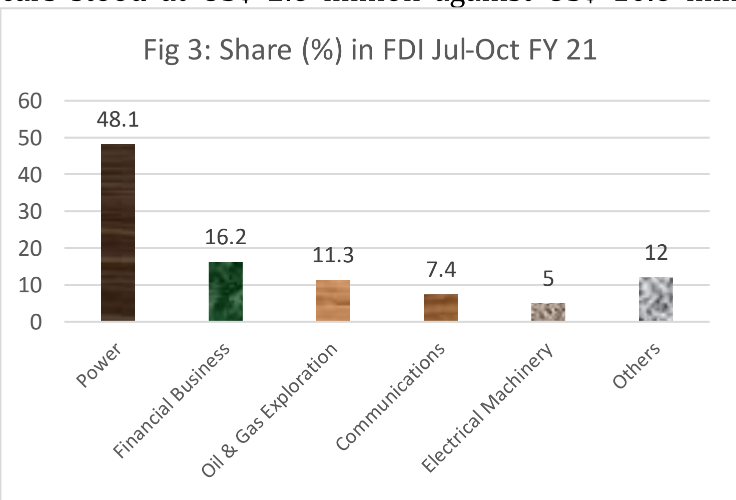
During Jul-Oct FY21, net FDI stood at US$ 733.1 million registering an increase of 9.1 percent compared to US$ 672 million recorded in the corresponding period last fiscal year (Figure 1). On month-on-month basis, net FDI increased by 67.9 percent to US$ 317.4 million in October 2020 over the US$ 189 million net inflows during September 2020. Compared to October 2019 net FDI in October 2020 registered an increase of 150.9 percent against US$ 126.5 million net inflows in October 2019. Net inflow of foreign direct investment during October 2020 exceeded the FY20 monthly average of US$ 213 million.

China replaced Norway, which was the major contributor in Jul-Oct FY20, during Jul-Oct FY21 and became the major contributor with US$ 332.3 million net inflows which contributed a share of 45.3 percent in total net FDI. Malta was the second largest contributor with 10.1 percent share. The other major contributors are Netherlands, Hong Kong and UK with shares of 7.0%, 6.3% and 5.0% respectively. However, U.A.E divested (net) by US$ 29.8 million. Country wise percentage share in FDI (net) inflows during Jul-Oct FY21 is given in figure 2.




*Source: State Bank of Pakistan*

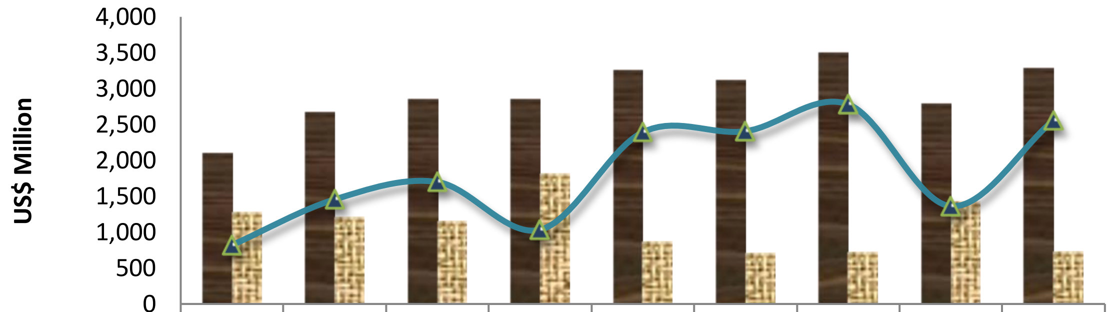
During Jul-Oct FY21, Power sector replaced the Communications sector, which attracted the largest share of net inflows in Jul-Oct FY20, with a share of 48.1% in total net FDI inflows. The other recipient sectors include financial business (16.2%), oil & gas exploration (11.3%), communications (7.4%) and electrical machinery (5%). Investment in power sector witnessed a net inflow of US$ 352.3 million during Jul-Oct FY21 compared to net inflow of US$ 52.6 million recorded in the corresponding period of FY20. In power sector, investment in coal registered net inflow of US$ 270.9 million. In transport and equipment (Automobile) sector, net investment inflows in cars stood at US$ 2.6 million against US$ 10.6 million in the last year owing to depreciation of rupee against dollar, imposition of federal excise duty and lower sales in automobiles sector. Trade sector witnessed a net inflow of US$ 1.1 million during the period under review (Figure 3).




*Source: State Bank of Pakistan*

Foreign direct investment maintained upward trend since FY15 and increased from US$ 1,034 million to US$ 2,780 million in FY18. This rise can be attributed to higher inflows from China in early harvest projects under CPEC. After maintaining upward trend for three consecutive years, net FDI plunged in FY19 and rebounded during FY20. Historical position of the FDI is given below in figure 4.

**Figure 4: FDI Historical Postion**




| | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|---|---|
| Inflow | 2,099 | 2,665 | 2,847 | 2,843 | 3,256 | 3,111 | 3,495 | 2,785 | 3,286 |
| Outflow | 1,278 | 1,209 | 1,149 | 1,809 | 863 | 704 | 714 | 1,423 | 725 |
| net | 821 | 1,456 | 1,699 | 1,034 | 2,393 | 2,407 | 2,780 | 1,362 | 2,561 |

*Source: State Bank of Pakistan*

**Conclusion:**

Foreign Direct Investment not only supports the balance of payments situation, but also brings in new technology and contributes in socio-economic development.

- FDI increased by 9.1 percent during Jul-Oct FY21 compared to corresponding period in FY20 owing to increased net inflows from China as a result of the consistent investment from the Chinese firms in the energy and infrastructure projects under the first phase of the China-Pakistan Economic Corridor (CPEC) framework. Power Sector attracted major share of the inflows during the reference period.
- Board of Investment need to step up its role to facilitate the investors and attract foreign direct investment in export-oriented sectors (textiles, agriculture, chemicals and tourism etc.) in order to enhance inflows.

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