

FDI plunges 49pc in July-May

KARACHI: The foreign direct investment (FDI) sharply declined by 49 per cent during the first 11 months of the current fiscal year reflecting the uncertain macro-economic conditions, the State Bank of Pakistan (SBP) reported on Tuesday.

According to data released by the central bank, the total FDI fell to \$1.606 billion during the July-May period of the outgoing fiscal year compared to \$3.161bn in the same period last year.

The government's tough measures to control the widening -current account deficit has caused economic uncertainty during the year pushing foreign investors away from the country.

The FDI in May further declined to \$230 million compared to \$312m in the same month last year.

Both government and the SBP claimed that the economy is slowly but surely getting out of the -difficult situation, however, the declining FDI numbers do not -support their claims.

Country-wise, declining foreign investment from China has become a major concern for the government which has increasingly relied on the northern neighbour to invest in the country under the umbrella of China-Pakistan Economic Corridor.

FDI from China, despite being the highest during the 11 months at \$495.7m, was less than one third of the inflows noted in the same period last fiscal year when the country had received \$1.828bn.

Moreover, foreign investments from all major countries declined during the period under review.

The inflows from United Kingdom fell to \$171m compared to \$282m last year.

The decline in FDI comes at a troubling time for the government as it faces acute shortage of foreign exchange reserves and is making efforts to accumulate dollars from international financial institutions as well as friendly countries.

Furthermore, inflows from the US almost halved to \$84m during the 11 months compared to \$147m in the same period last year. The fall in FDI from the US can be attributed to the deteriorating relations between Washington and Islamabad.

Inflows from Hong Kong clocked in at \$130.8m compared to \$182.9m during the same period last year.

On the flipside, FDI from Norway and Japan recorded significant increases during the 11 months under review. FDI from Norway reached \$110m against an outflow of \$17.8m in the same period last year whereas Japanese investment in the country doubled to \$104.8m compared to \$55m in the same period last year.

United Arab Emirates emerged as the only Muslim nation to invest a significant amount in the country as the FDI from Abu Dhabi reached \$91m against an outflow of 1.1m during the same period last year.

The government's economic team is confident that the FDI in to the country will improve in the coming months as Pakistan's -macroeconomic indicators stabilise.

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