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FDI dips 17.6pc to $1.45bln in July-January

KARACHI: Foreign direct investment (FDI) into Pakistan fell 17.6 percent year-on-year to $1.451 billion during the first seven months of the current fiscal year of 2018/19, the central bank's data showed on Monday, as Chinese inflows happened to slow down on completion of early harvest projects.

The July-January's figures reflected the impacts of persistent contraction in Chinese inflows. The completion of early harvest projects under the China-Pakistan Economic Corridor (CPEC) framework led to a 27.7 decline in FDI from the neighbouring country during the period under review.

China's FDI fell to $825.5 million in the July-January period from $1.142 billion in the corresponding period a year earlier.

The State Bank of Pakistan's (SBP) data showed that foreign direct investment fell 2.56 percent year-on-year to $132.2 million in January.

FDI inflows into power sector declined to $233.8 million during the seven months from $625.2 million a year earlier, while inflows to the financial businesses fell to $216.7 million from $303.3 million.

Construction sector attracted $288.9 million in direct investment compared with $386.2 million in the same period last year.

Analysts said consumer goods sector also saw a sharp fallback in foreign direct investment.

"There is no space for a new foreign entrant in the fast moving consumer goods sector," Pakistan Business Council Chief Executive Ehsan Malik said. "It seems difficult for potential corporate investors to compete with the existing players given their investment and capacity."

Malik said the government needs to encourage FDI in infrastructure, oil and gas and agriculture sectors to boost economic growth and create employment opportunities.

The SBP's data further showed that outflows from portfolio investment continued to accelerate in the seven months of the current fiscal year.

Outflows from the equity market stood at $408.9 million in July-January FY2019 compared with $73.8 million in the corresponding period of last fiscal year.

Total foreign investment fell to $1.042 billion from $4.138 billion.

The SBP said non-CPEC related FDI that Pakistan has received over the past couple of years has remained mostly concentrated in a few non-export oriented manufacturing sectors, such as power, construction, financial business, oil and gas explorations, telecommunications and food.

"In fact, over the last five years, 80.6 percent of the average annual FDI received by Pakistan went into these six sectors. On the contrary, the key exporting sectors, such as textiles and leather products, attracted only 1.3 percent of the net FDI, on average, in the same period," the SBP said in a latest quarterly report.

"There is a need to promote foreign investment in export-oriented manufacturing sectors, such as textiles and leather products. This may help boost the country's exports."

Erum Zaidi