

FDI surges 65.7 percent to \$1.563 billion in July-January FY20

KARACHI: Pakistan's foreign direct investment (FDI) jumped 65.7 percent to \$1.563 billion in the seven months of the current fiscal year, the central bank data showed on Monday.

FDI stood at \$943.6 million in the same period of last fiscal year. In January, foreign direct inflows were \$223.1 million. That compared with \$146.8 million in the corresponding month last year.

The rise in FDI was largely attributed to increased Chinese inflows followed by Norway. Net direct investment from China increased to \$532.8 million in July-January FY20 from \$282.6 million a year ago.

Norwegian firms invested \$288.5 million, compared with \$110 million last year. Higher inflows in the communications sectors following license renewal fee payment from two mobile companies also led to the increase in the FDI in the seven months of this fiscal.

The communications sector attracted the highest FDI at \$446.7 million in July-January FY20, compared with an outflow of \$134.9 million in the corresponding period last year. Moreover, major increases were seen in the power sector that received \$404.1 million in FDI against the outflow of \$297.5 million.

Foreign investors see positive outlook for FDI in the current fiscal year. M Abdul Aleem, secretary general of the Overseas Investors Chamber of Commerce and Industry (OICCI) said the outlook for FDI in Pakistan is stable and at par with the last two years considering that many of the projects which were in the pipeline especially in the energy and other sector have made progress as per plans.

"OICCI members also re-invest approximately \$2.5-3.0 billion annually in expanding their footprint in Pakistan, so we expect this trend to continue and will be a trigger to attract new investment from other international and local investors," Aleem said.

The OICCI official said Pakistan has made progress on 'ease of doing business' and the government has also taken hard decisions to streamline the economic fundamentals, "which is causing pain for businesses, but hopefully will give confidence to the investors on the economic potential of the country".

Currently, the FDI in Pakistan is less than one percent of the GDP, which compares unfavourably with other countries in the region that have FDI in the region of 2-6 percent of the GDP. Most of the key government functionaries, including in the provinces, have regularly expressed the desire to boost FDI, but have not followed up with concrete actions to bring sustainable growth in FDI for which Pakistan has significant potential.

“We expect this to improve in the foreseeable future,” Aleem said. OICCI members have identified some key sectors where there are opportunities to attract FDI. Those include energy and power, (including energy distribution, production, infrastructure, network, mining and alternate /renewables); infrastructure development, transportation and logistics, agriculture, corporate farming and agro-based industries, information technology and digitalisation (eg export of software, etc); food and consumer goods, healthcare, pharmaceuticals, tourism, food processing and telecommunication.

The SBP’s data also showed that foreign portfolio investment at stock market stood at \$21.5 million in July-January FY20. The equity market saw outflows of \$408.9 million last year. Foreign investment in government securities such as market treasury bills and Pakistan Investment Bonds reached \$1.839 billion, compared with \$0.1 million a year ago.