

RIZWAN BHATTI

1H FDI posts 68pc growth

KARACHI: Foreign Direct Investment (FDI) posted 68 percent growth during the first half of this fiscal year (FY20) supported by massive inflows in telecom sector.

According to the State Bank of Pakistan (SBP), Pakistan attracted FDI amounting to \$1.341 billion during July-Dec of FY20 compared to \$796.8 million in the same period of FY19, showing an increase of 68.3 percent or \$544 million. During the period under view, FDI inflows stood at \$ 1.732 billion against outflows of \$391.2 million.

The detailed analysis revealed that all major sectors recorded lower inflows, except telecom, power, financial business and electric machinery. Specifically, major declines were seen in the construction and chemical sector; however, this was partially offset by a one-off inflow into a telecom firm for renewal of the GSM license.

With some \$505 million inflows and \$85.4 million outflows, net FDI in telecommunication sector stood at \$420 million in first six months of FY20. Out of this investment, some \$87 million were arrived in December 2019.

Power sector and financial business also fetched healthy FDI amounting to \$290 million and \$162 million, respectively during the July-Dec of FY20. FDI in construction sector stood at \$ 9.3 million during the first half of this fiscal year down from \$288 million in the corresponding period of last fiscal year.

The SBP, in its recent report, has also pointed out that FDI has yet to pick up in response to the stabilization of the economy and the certainty afforded by the IMF bailout program, as investors have adopted a wait-and-see approach.

“Given the consequences of the macroeconomic adjustment policies on growth and investment, it is imperative that the country’s foreign exchange earnings must pick up via exports and FDI, to allow financing space for essential imports,” it added.

According to the SBP, with some improvement in equity market, portfolio investment also moved up by 104.5 percent to \$18.8 million in first half of current fiscal year.

Total foreign investment in the country surged to \$1.811 billion in July-Dec of FY20 up from \$377 million in the corresponding period of FY19 depicting an increase of 380 percent or \$1.4 billion.