

FDI inflows decline 20pc

ISLAMABAD: Foreign Direct Investment (FDI) inflows into Pakistan declined by 20 percent to \$1.9 billion in 2019 (calendar year) against \$2.4 billion in 2018, with Bangladesh in second place in the region with a 6 percent decline to \$3.4 billion according to the United Nations Conference on Trade and Development (UNCTAD).

However, UNCTAD's latest Investment Trends Monitor (ITM) report notes that South Asian FDI inflows recorded a 10 percent increase to \$60 billion driven by India, with a 16 percent increase in inflows to an estimated \$49 billion.

An earlier UNCTAD World Investment Report dated June 2019 places Pakistan as the fourth largest recipient of FDI in the sub-region, with a 27 percent decrease in investment to \$2.4 billion in 2018. This was largely due to the completion of some projects related to the China-Pakistan Economic Corridor, and a balance-of-payments challenge that may have delayed new inflows. China remained the single largest investor in the country, thanks mainly to construction and power generation projects related to the Corridor. With other Corridor projects also nearing completion, Pakistan's FDI inflows could slow down further in 2019. Global FDI remained flat in 2019, at \$1.39 trillion, a 1 percent decline from a revised \$1.41 trillion in 2018. This is against the backdrop of weaker macroeconomic performance and policy uncertainty for investors, including trade tensions. The underlying FDI trend, which removes the volatility caused by one-off transactions and intra-firm financial flows, was up 5 percent (in line with projections in the World Investment Report 2019) - a marginal change representing a continuation of the stagnation observed over the decade.

FDI flows to developed countries remained at a historically low level, decreasing by a further 6 percent to an estimated \$643 billion. FDI to the European Union (EU) fell by 15 percent to \$305 billion, while flows to the United States remained stable at \$251 billion.

The report further states that significant risks persist, including high debt accumulation among emerging and developing economies, geopolitical risks and concerns about a further shift towards protectionist policies. In addition, in 2019, Greenfield project announcements - an indicator of future trends - have slowed down.