



### **Foreign investment in 7MFY21 down by 78pc: ministry**

ISLAMABAD: Amid 78pc decline in total foreign investment, the Ministry of Finance on Friday raised expectations about economic recovery during the current fiscal year based on improved signs in first seven months.

In its Monthly Economic Update & Outlook, the ministry reported that total foreign investment in July-January period amounted to \$755 million against \$3.438bn of comparable period last year, showing a decline of about 78pc.

“Prospects of economic growth are showing visible signs of improvement during July-January period 2020-21 which strengthen expectations about economic recovery,” said the outlook. It claimed credit for the timely measures against the pandemic in terms of fiscal stimulus, easing mobility restrictions, timely arrangement of vaccination, together with accommodative monetary policy allowed economic activities continue in the difficult time. “Thus, it is observed that overall economic recovery is on its way and may accelerate in the coming months”.

The report said the recent developments in inflation showed negative trends. It expected that due to much-needed structural measures, the downward trend of prices of these items will be permanent.

In agriculture, downside risk to cotton production still persists, however it is expected that better production of other kharif crops will mitigate the risk. Further, for rabi season 2020-21, wheat crop production is expected to achieve production target as almost 99 per cent target area has been sown. On the basis of better input availability and favourable weather forecast, the production of wheat is expected to meet its target.

Industrial activity, measured by the LSM index was the area most exposed to external conditions, it said, adding the activity was recovering from two consecutive crises.

The balance of payments crisis necessitated policy adjustments to curb unsustainable external deficits which depressed LSM in 2019. The Covid-19 pandemic required measures to preserve peoples' health which caused industrial output to fall significantly especially in March, April and May 2020.

The Monthly Economic Indicator (MEI) is based on combining monthly data of indicators that are proven to be correlated with GDP at constant prices.

The MEI is scaled to align with annual GDP growth. It is a so-called global method, implying that changing any point or adding points to the series may (marginally) affect all points in the indicator. Based on available data, the MEI shows continued strong growth in January, in continuation with what was observed in the previous seven months.

It follows that economic growth has been strong throughout the first half of the current fiscal year and will continue to show improvement in the second half of the current fiscal year.

After a very strong month-on-month (MoM) increase in Dec 2020, partly due to seasonal effects, imports came back to the normal levels in January, resulting in a MoM improvement in the trade balance.