

Foreign direct investment shrivels 40pc to \$288.2mln in July-August

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KARACHI: Foreign direct investment (FDI) sharply fell 40 percent to \$288.2 million in the first two months of the current fiscal year, the central bank data revealed on Friday, mainly due to decline in fund inflows from China.

The State Bank of Pakistan (SBP) data showed that Chinese net direct investment shrank 34.4 percent year-on-year in the July-August period of 2018/19.

Chinese firms invested \$170.6 million in various projects during the period compared with \$259.9 million in the corresponding period last year.

The SBP recorded FDI at \$160.1 million in August compared to \$246.8 million in the corresponding month a year ago.

Analysts said downturn in the Chinese investments caused a steep fall in FDI.

Some mega projects in energy sector secured major investments under the \$60 billion China-Pakistan Economic Corridor (CPEC) projects by end of the last fiscal year.

“The July-August numbers paint a rather depressing picture,” a senior analyst said, requesting anonymity. “Few energy projects have achieved financial closure.”

Nine out of 22 ongoing projects under the CPEC have already completed. Most of the CPEC projects are related to energy sector.

Chinese foreign minister, during his visit last week, said CPEC boosted economic growth and created employment opportunities in the country. The country achieved a decade-high growth of 5.8 percent during the last fiscal year.

Non-Chinese investments also continued to show downward trend during the period under review.

The SBP’s figures showed that FDI coming into the power sector decreased to \$43.3 million in July-August FY2019 from \$189.8 million a year ago.

The amount into the financial businesses fell to \$33.3 million in FY2019 from \$47.7 million in FY2018.

Telecommunications sector saw an outflow of \$26.3 million against the inflows of 88.5 million.

Foreign companies invested \$21.6 million in the oil and gas explorations sector. Such investments stood at \$33.7 million during the July-August period of last fiscal year.

Portfolio investment into the Pakistan Stock Exchange posted an outflow of \$129.6 million in July-August as against \$105.7 million a year ago.

Foreigners have sold more than \$300 million worth of shares in the capital market so far during this calendar year.

Total foreign investment fell 51.2 percent to \$158.7 million during the period under review.

The outlook for foreign direct investment in Pakistan remains uncertain. Overseas Investors Chambers of Commerce and Industry (OICCI), the major group representing foreign companies in the country, asked the government to take bold steps to avert balance of payment crisis emanating from deteriorating current account position.

Current account deficit ballooned to \$18 billion in FY2018 compared to \$12.6 billion in the preceding fiscal year.

The OICCI said the government should introduce measures to boost business confidence and FDI through policy announcements on matters relating to taxation, debt management and reforms in the Federal Board of Revenue.

The government should focus on improving the country's perception abroad and improve ease-of-doing-business, it said in a latest business confidence survey.