

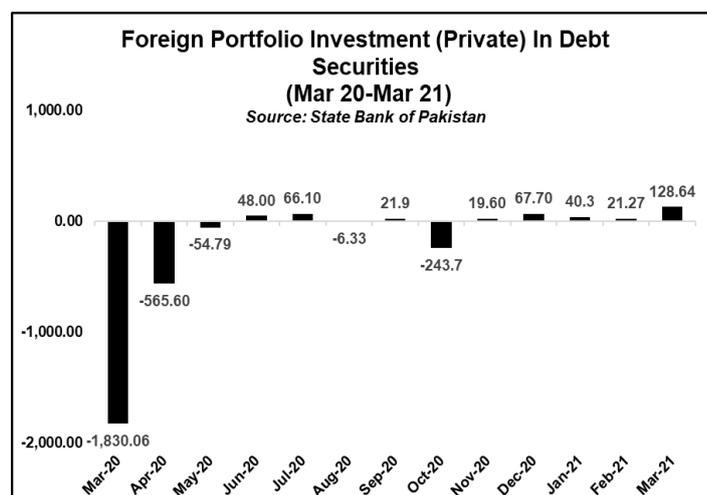
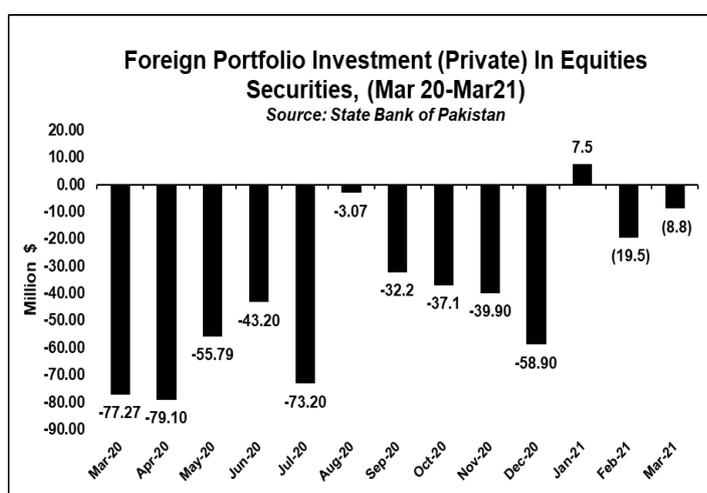
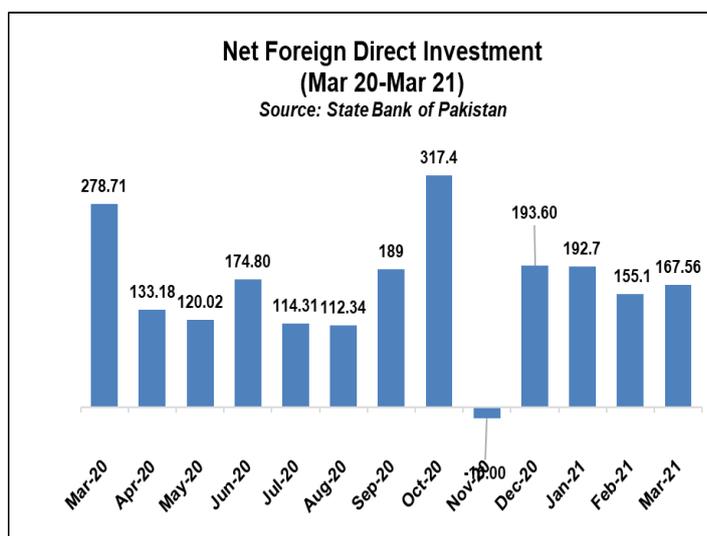
**Government of Pakistan**  
**Ministry of Planning, Development and Special Initiatives**  
**Economic Policy Wing**  
**Money, Prices and Fiscal Policy Section**

**Review of**

**Capital Market II (Foreign Investment)**

**(March-2021)**

- During March 2021, **Foreign Direct Investment (FDI)** recorded net inflow of US \$167.56 Mln against net inflow of US\$ 278.71 Mln during corresponding period last year. This is decrease of 39.86pc.
- FDI has plummeted by 35pc to \$1.395 Bln from July to March FY21. However, FDI increased \$12.46 Mln (8pc) as compared to February, 2021.
- **Countries with major FDI inflows** were China \$126.0 Mln, U.A.E \$13.1 Mln, and United Kingdom \$ 9.8 Mln While, major FDI outflows were contributed by Netherlands (\$23.8 Mln), Norway (\$5.8 Mln), and Bahamas (\$3.3 Mln).
- **Foreign (Private) Portfolio Investment (FPI) in equities securities** registered out flow of US \$ 8.8 Mln against out flow of US\$ 77.27 Mln during corresponding period last year.
- **Foreign Public Portfolio Investment (FPI) in Pakistan in debt securities** stood at US\$ 128.64 Mln against US\$ -1,830.06 Mln during the corresponding



period last year.

- **Countries with major FPI** inflows were U.A.E \$36.4 Mln, USA \$7.4 Mln Singapore \$2.1 Mln. While, major FPI outflows were contributed by Switzerland (\$33.9 Mln), Ireland (\$5.7 Mln), Luxembourg (\$4.0 Mln).

### **Analysis:**

The month of March 2021 registered net outflow on portfolio investment in equities securities and positive on public portfolio investment in debt securities while, foreign direct investment (FDI) registered a net inflow. Unattractive situation created by the COVID-19 pandemic has been a key reason for the decline in FDI for the period of July-March 2021. As Pakistan enters the 3<sup>rd</sup> wave of COVID-19, the foreign investors have been reluctant to invest in Pakistan. It is evident from the fact that Chinese investment, despite being the FDI lead investor for Pakistan since initiation of CPEC, has also declined by \$208.5 Mln as compared to the corresponding period of Jul-Mar FY20, giving a clear sign that attractiveness of Pakistan as an investment destination has suffered.

In this regard, the Government of Pakistan is taking keen steps to attract FDI in the country by encouraging investors to invest in projects of varied sectors including infrastructure, hydro power, medical devices development centre, silicon solar PV panels fabrication, production of agriculture drones and smart farms, university technology parks and IT incubation centres across Pakistan. The Board of Investment (BoI) has also taken a recent initiative to bring eight Sustainable Development Goals projects as BoI has a repository of over \$14 billion SDG aligned projects in the sectors of transport and communication, energy including renewable energy, water supply and sanitation, education, health care and information technology. These projects will enhance foreign and domestic investment opportunities in the country.

It is recommended that the government of Pakistan should focus on creating an aligned strategy with the businessmen and investor communities to bring forth new products and projects that increase the profit generation margins of public limited companies and also aid in improving the physical infrastructure of the country. Meanwhile, this approach has to be supplemented with a stable inflation rate, feasible interest rate and reduction in energy prices to reduce the cost of production of entrepreneurs.