

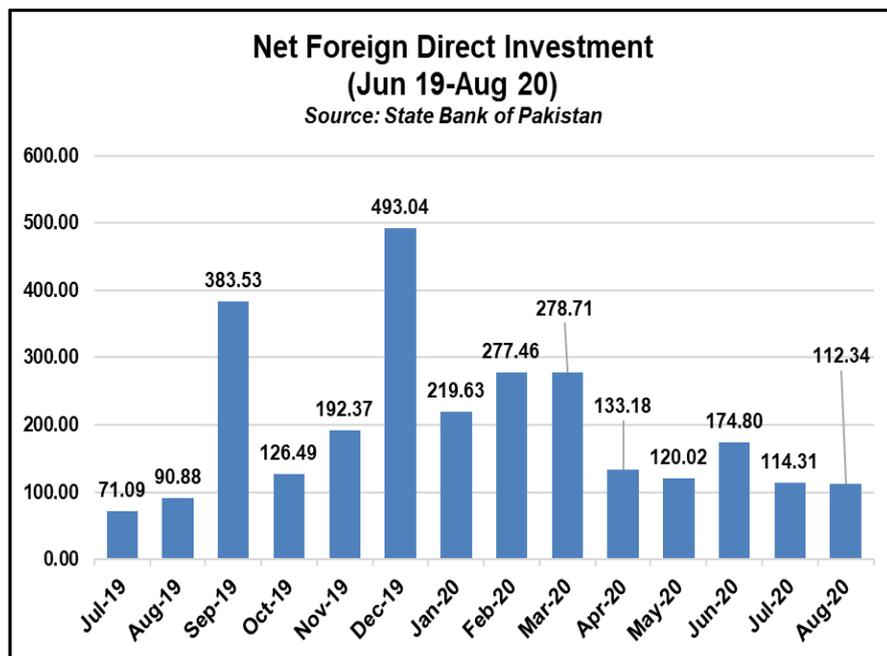
**Government of Pakistan**  
**Ministry of Planning, Development and Special Initiatives**  
**Economic Policy Wing**  
**Money, Prices and Fiscal Policy Section**

**Review of**

**Capital Market Developments II**

**(August-2020)**

**Update on Foreign Direct Investment (FDI), August, 2020**



(Source: State Bank of Pakistan)

During August 2020, Foreign Private Direct Investment (FDI) registered a net inflow of US \$ 112.34 Mln against net inflow of US\$ 90.88 Mln during corresponding period last year. Total absolute change in FDI over August 2019 was net inflow of US \$ 21.5 Mln (23.6 %). Over period July-August 2020, FDI absolute net inflow was US 37.7 (12.0%) and FDI absolute net outflow was 27.0 Mln (17.7%).

**Country-Wise Net FDI Disaggregation**

Countries with major net inflows were Norway (\$45.0 Mln), Netherlands (\$21.3 Mln), and Malta (\$18.5 Mln).

While, major net outflows were contributed by China (\$20.5Mln), U.A.E (\$6.2 Mln), and Sweden (\$0.7 Mln) during August 2020.

**Sector-Wise Net FDI Disaggregation**

Sectors with major net inflows were Financial Business (\$61.5 Mln), Oil & Gas Explorations (\$17.3 Mln), and Communications (\$13.1 Mln).

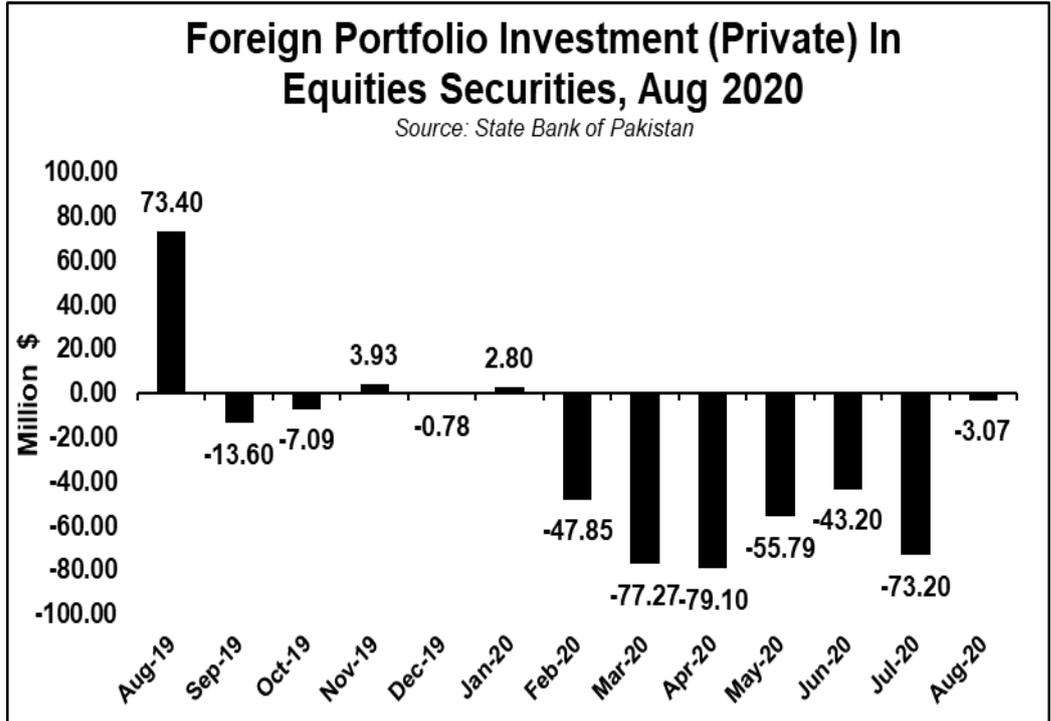
While, major net outflows were contributed by Power (\$6.7 Mln), Transport Equipment (\$3.6 Mln), Petroleum Refining (\$2.1 Mln) during August 2020.

**Highlights**

- **FDI** registered a **net inflow** of **US \$ 112.34** Mln in August, 2020 against net inflow of US\$ 90.88 Mln in August, 2019 and US \$114.31 Mln during July, 2020.
- Foreigners became net sellers, divesting **US\$ 3.07 Mln** worth of net equity in the Pakistani market in August, 2020.
- Foreign Public Portfolio Investment in debt securities **stood at US\$ -6.33 Mln** in August, 2020.
- **U.A.E** was the top contributor (**US \$37.7 Mn**) of equities portfolio investment **inflows** for August, 2020.
- **United States** was the top contributor (**US\$ 53.4 Mn**) of equities portfolio investment **outflows** for August, 2020.
- Total traded volume of Government Securities was **Rs. 1.970 Bln** by 17 September, 2020.
- KSE-100 index gained **1,393.83** points (**3.39%**) as compared to end of August, 2020.

**Update on Foreign Portfolio Investment (FPI) Equities Securities August, 2020**

During August 2020, Foreign Private Portfolio Investment (FPI) in equities securities registered a net outflow of US \$ 3.07 Mln against net inflow of US\$ 73.40 Mln during corresponding period last year. Absolute change over July-August 2020 was divestment of US\$ (112.6) Mln (-310.1%).

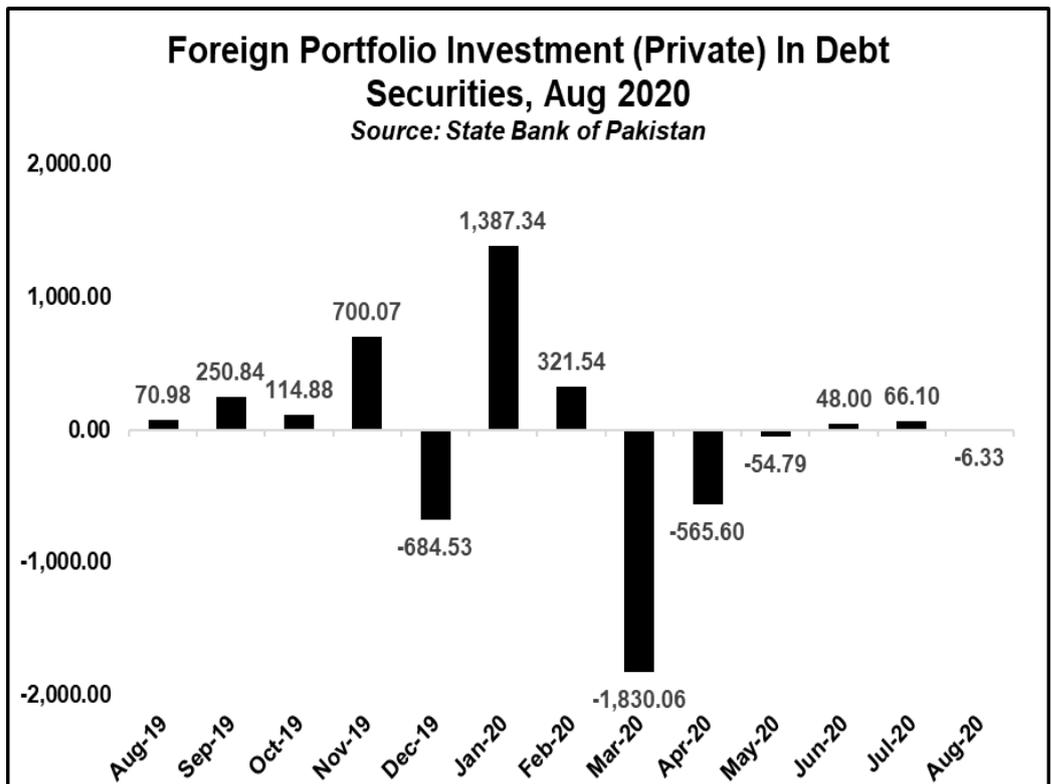


**Country-Wise FPI Disaggregation**

Countries with major inflows were U.A.E (\$37.7 Mn), Singapore (\$4.4 Mln), and Canada (\$1.6 Mln). While, major outflows were contributed by United States (\$53.4 Mln), United Kingdom (\$51.4 Mln), Luxembourg (\$13.8 Mln) during August 2020.

**Foreign Public Portfolio Investment in Debt Securities**

The Foreign Public Portfolio Investment in Pakistan in debt securities stood at US\$ 66.1 Mln in August 2020 against US\$ 48.00 Mln during the previous month. During FY-20, the Foreign Public Portfolio Investment in debt securities stood at US\$ -241.3 Mln against US\$ -1,002.0 Mln in the corresponding period of the last financial year.



**Trading Volume of Government Securities (cumulative)** was reported to be Rs 1.970 Bln by 17 September, 2020. The most trading was done in the Treasury Bills with Three, Six- and Twelve-months' maturity. It was followed by Pakistan Investment Bonds and Ijara Sukuk Bonds.

**Repatriation of Profit/Dividend on Foreign Investment by Country**

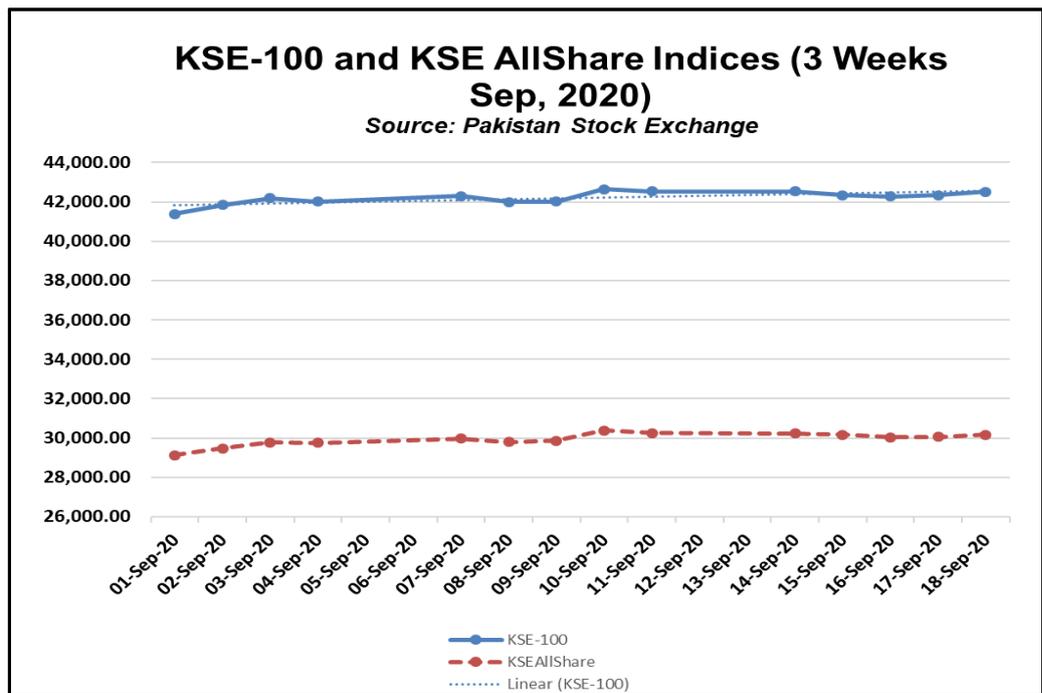
As per the latest data available, total repatriation of profit/dividend on foreign investment for July, 2020 stood at US\$ 354.5 Mln, (FDI US\$ 340.2 Mln and FPI US\$ 14.3 Mln). The countries with highest dividend repatriation were United States (US\$ 6.2 Mln), United Kingdom (US\$ 4.0 Mln) and Luxembourg (US\$ 0.8 Mln); whereas China (US\$ 0.1 Mln), and Hongkong (US\$ 0.1 Mln) marked the lowest dividend repatriation.

**Repatriation of Profit/Dividend on Foreign Investment by Sector**

As per the latest data available the sector-wise analysis of total repatriation of profit/dividend for July, 2020 reveals that the highest dividend repatriation was from Financial Business (US\$ 5.5Mln), Chemicals (US\$ 4.4 Mln), and Fertiliser (US\$ 1.8 Mln) ; whereas, Communications (US\$ 0.2 Mln), Paper and Pulp (US\$ 0.2 Mln) and Power (US\$ 0.2 Mln) marked the lowest dividend repatriation.

**Performance of KSE Indices for 3 Weeks of September, 2020**

Pakistan Stock Exchange (PSX) witnessed an overall slightly upward sloping positive trend during three weeks of September 2020 ending on 18-09-2020. The benchmark KSE-100 index closed at **42,504.76** by gaining **2,883.17** points (**7.27%**) as compared to the third week closing of previous month,



while KSE-All Shares index closed at **30,167.01** by gaining **2,308.37** points (**8.28%**). The KSE-100 index gained **1,393.83** points (**3.39%**) as compared to the end of August, 2020, while KSE-All Shares index gained **1,206.02** points (**4.16%**) for this period. The KSE-100 reported maximum and minimum of 42,647.35 and 41,377.26 points respectively. The average of KSE-100 in the period under review was 42,207.43 points. As an overall estimate, the bourse gained 41.6 points on daily basis showing a positive trend in the three weeks of September, 2020.

**Stock Market Analysis- 3 weeks September, 2020**

In the opening session of the first week, the stocks gained owing to interest of individuals and institutions in the stock market as compared to the other financial portfolios, giving the

bourse credible liquidity and trust. Liquidity shift was observed from fixed income assets to equities triggered by low interest rates in the country. The market set new record on Wednesday with the volume that jumped to a staggering 919m shares, which represented over a 15-year high turnover. Besides nearly an end to the Corona-19 active cases that helped the economy to open up, the CPI for August released during the week at 8.21pc, compared to 9.21pc in July, put more confidence in the investors who started to visualise the growth in economy with optimism. Improving external accounts, foreign exchange reserves and the rupee appreciating against at Rs165.77 (as reported on 3<sup>rd</sup> September, 2020) to a US dollar also kept the sentiments positive. Furthermore, oil sales in August witnessed a jump of 21pc. The havoc caused by record rainfall and flash floods that inundated industrial units did nothing to spoil the investor sentiments. The KSE-100 gained 966.78 points (2.35%) to close at 42,023.00 points by the end of the first week.

The second week started off on a positive note as investors showed considerable interest in cement, steel, automobiles, refineries, and oil marketing sector on account of improvement in growth prospects given revival of economic activity. On Tuesday, a decline was witnessed in the index attributable to pressure on global equities and decrease in international oil prices which resulted in selling pressure. However, negative performance remained short-lived as the high court granted a stay order in favour of fertiliser manufacturers who are eligible for concessionary gas regime under the fertiliser policy of 2001. Other than that, the launch of Roshan Digital Account for overseas Pakistanis also spurred buying. Profit-taking was seen on Friday as investors decided to stay on the side of caution in carrying over heavy positions over the weekend. Improvement on macroeconomic front and decline in Covid-19 active cases that has enabled the economy to open up along with lower yields on fixed income instruments have made equities the preferred asset class. The KSE-100 gained 507.67 points (1.20%) to close at 42,530.67 points by the end of the second week.

In the third week, investor sentiments were boosted by the passage of the Financial Action Task Force Bill by the joint session of parliament that provided support to the index which was on the slide on Tuesday and Wednesday. Another key highlight of the week was World Bank's International Centre for Settlement of Investment Disputes (ICSID) decision to grant a stay order against the enforcement of penalty amounting to \$6bn in the Reko Diq case, taking some pressure off participants' minds who were worried over the heavy potential liability. International oil prices discouraged energy shares early in the week. Positive news flow during the week included increase in remittances to Pakistan jumping by 31pc year-on-year to \$4.9bn in July August and surge in Foreign Direct Investments by 40pc to reach at \$226.7m for period July-Aug. Moreover, SBP's net reserves increased by \$13m to rise to the level of \$12.8bn while large scale manufacturing rebounded by 5.02pc in July. The KSE-100 lost 25.91 points (0.06%) to close at 42,504.76 points by the end of the third week.

### **Conclusion:**

The month of August 2020 registered net outflow on portfolio investment in equities securities and negative on public portfolio investment in debt securities while, foreign private direct investment (FDI) registered a net inflow. U.A.E and U.S.A contributed heavily in the inflow and outflow of portfolio capital for Pakistan respectively. The stock market for three weeks of September, 2020 showed an upward sloping positive trend with an average of 42,207.43 points by gaining 1,393.83 points as compared to end of August, 2020. The key upcoming event of the SBP Monetary Policy and its date of announcement kept investors cautious. Going forward, the SBP is scheduled to announce the monetary policy for the next two months on 21<sup>st</sup> September, 2020. The consensus expectations of `no change` stance, there is little interest in the event. However, any deviation (downward revision if at all) could fuel investor enthusiasm and make the stock market bullish.

