

## Foreign Direct Investment

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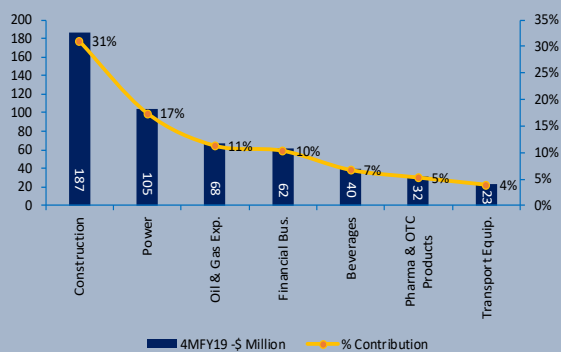
November 16, 2018

#### FDI - Monthly



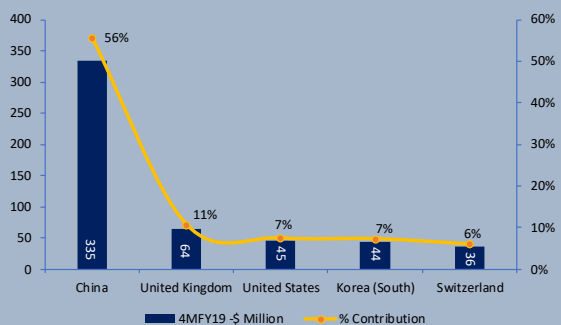
Source: SBP & WE Research

#### Major Contributing Sectors- 4MFY19



Source: SBP & WE Research

#### Major Contributing Countries- 4MFY19



Source: SBP & WE Research

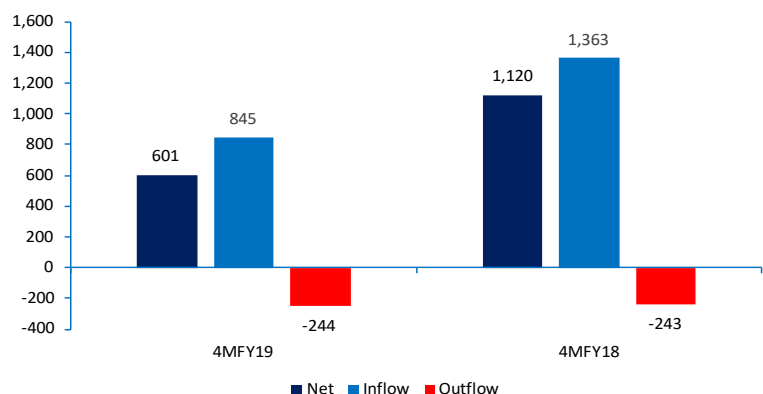
### FDI plunged 46% YoY amid Slowdown in Chinese Investments in 4MFY19

- As per data compiled by SBP, net Foreign Direct Investment (FDI) plunged by 46% YoY during 4MFY19 to arrive at \$600.7-million as opposed to \$1,119.9 million SPLY. While during the month of Oct'18 FDI registered a growth of 7% MoM (-55% YoY) to clock in at \$161.2 million.
- During 4MFY19, hefty erosion in FDI attributed to decay in Chinese investment (down by 52%) for CPEC related projects, clocking at \$334.9 vs \$694.3 SPLY, while during Oct'18 Investment from China registered a decline of 78% YoY/50% MoM.
- The attrition in Chinese investment is due to different project completion, mainly in power sector wherein net investment declined by 74% to arrive at \$104.8 million during 4MFY19.
- Period under review, majority of foreign investment contributed by China (56%) followed by UK (11%) USA (7%), South Korea (7%), Switzerland (6%), Japan (4%) and UAE (3%). While, surge in MoM FDI attributed to significant rise in south Korean investment clocking at \$43.9 million up by 202.8x, contributing 27% of total FDI in Oct'18.
- Construction sector fetched major chunk 31% of total FDI during 4MFY19 followed by Power sector contributing 17%, Oil & Gas Exploration 11% and Financial Business fetched 10% of total FDI.
- Numbers suggest that, Pakistan' FDI is heavily relied on Chinese Investment through CPEC projects primarily investment in Power & Construction sectors. Most of the projects are near completion thus the economy faces slowdown in FDI. Resultantly, Government is considering diversification to fetch FDI in agriculture & export-oriented sectors.

Foreign Direct Investment - \$ Million						(Source: SBP & WE Research)		
	Oct-18	Oct-17	YoY	Sep-18	MoM	4MFY19	4MFY18	YoY
Inflow	234.5	403.3	-42%	202.5	16%	844.8	1,362.8	-38%
Outflow	73.3	48.6	51%	51.3	43%	244.2	242.9	1%
<b>Net</b>	<b>161.2</b>	<b>354.6</b>	<b>-55%</b>	<b>151.3</b>	<b>7%</b>	<b>600.7</b>	<b>1,119.9</b>	<b>-46%</b>

#### FDI- 4MFY19

(Source: SBP & WE Research)



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HOLD	In between -10% and +10% from last closing price
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WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

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- Market Risk
- Interest Rate Risk
- Exchange rate risk

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