



Pakistan's FDI Pulse

OICCI Insights

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The First Port of Call for Foreign Investors



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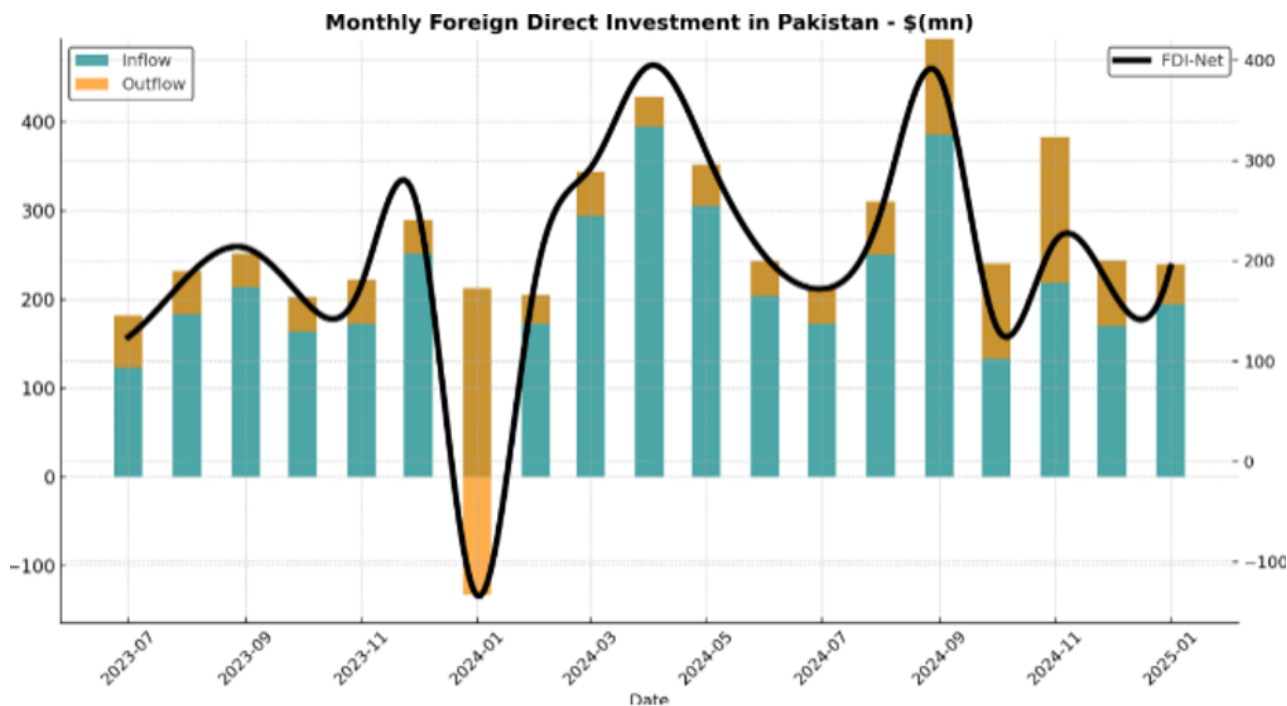
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Overview of FDI in Pakistan

Foreign direct investment (FDI) in Pakistan showed a 15 percent year-on-year rise in January 2025, with net inflows reaching \$194 million. Total FDI inflows for the month stood at \$239 million, while outflows saw a notable decline of 40 percent, dropping to \$45 million compared to December 2024.



Source: SBP

The broader trend for the fiscal year reflects growth in foreign investment over last year. For the first seven months of FY25 (7MFY25), net FDI reached \$1.52 billion, a 56 percent increase from the \$976 million recorded in the same period of FY24. The largest contributor remained China, injecting \$634 million, followed by Hong Kong, SAR with \$155 million, the United Kingdom at \$148 million, Switzerland at \$116 million, and France contributing \$82 million.

China's share in Pakistan's FDI				
	China+Hong Kong		All other countries	
	FY14	FY24	FY14	FY24
Gross inflow	34.27%	39.43%	65.73%	60.57%
Gross outflow	4.50%	48.02%	95.50%	51.98%
Net FDI	54.42%	36.43%	45.58%	63.57%

In terms of sectors, the power sector was the top recipient of FDI during 7MFY25, attracting \$551 million. The financial services sector followed closely, securing \$414 million, while oil and gas exploration drew \$187 million. The electronics industry also garnered some investor interest, receiving \$105 million.

Despite these positive numbers, a deeper analysis suggests a more nuanced reality. While the increase in FDI points to renewed investor confidence, overall investment levels still lag behind historical peaks from the early 2000s. A look at the last ten years, however, shows that FY24 was among the relatively better years with net FDI above \$2 billion. Recent improvements reflect efforts to create a more investment-friendly environment, yet long-term structural and political challenges remain a concern. For Pakistan to sustain and build upon

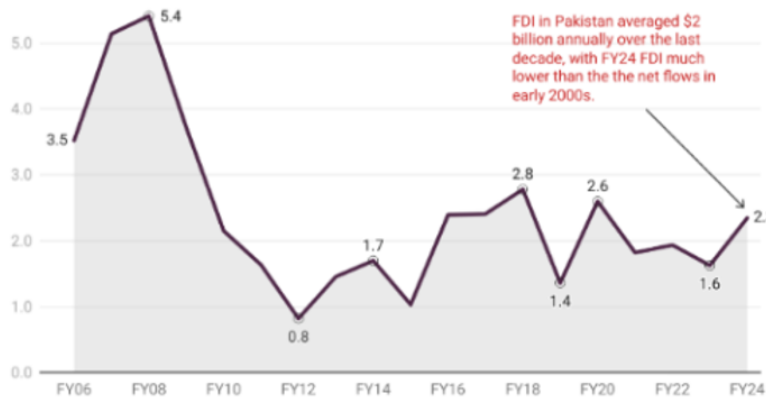


Net FDI in Pakistan in 7MFY25 in Key Sectors \$(mn)

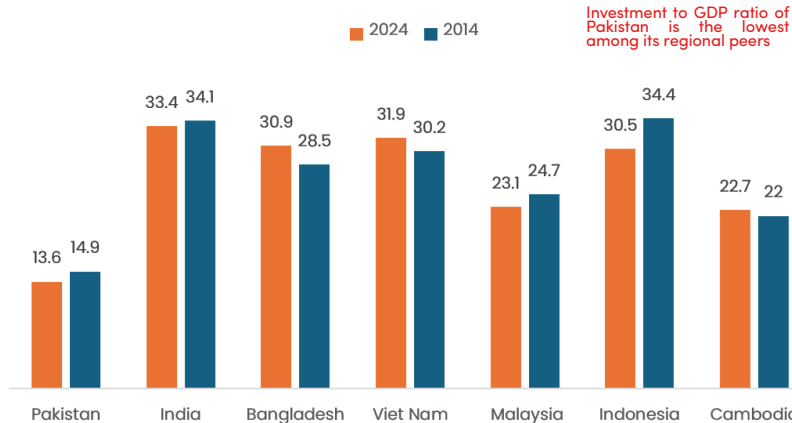


these gains, a stable and predictable investment climate is essential. Political consistency, regulatory clarity, and economic reforms will play a critical role in shaping investor sentiment. Without addressing these foundational concerns and moving along the dynamic global FDI landscape, the current FDI momentum may struggle to translate into sustained long-term growth.

FDI in Pakistan: USD (billion)



Investment to GDP Ratio



Source: CIEC Data

Foreign Investment Focus in Uraan Pakistan

Uraan Pakistan – Pakistan's 13 Five Year Plan (FYP) has presented FDI as a central pillar of Pakistan's economic recovery and long-term growth strategy. The roadmap highlights a multi-pronged approach to attract and sustain FDI, with a focus on policy reforms, facilitation, regulatory modernization, and sector-specific incentives.

Investment Plans and Targets from the 13th Five-Year Plan (FYP)

Increasing Investment-to-GDP Ratio

Increasing Investment-to-GDP Ratio from 13 to 18%.

Public investment from 2.5-3.0% of GDP to 4.5% of GDP.

Private investment from 9% to 12% of GDP.

Replacing foreign loans with foreign investment to the maximum extent possible.

Domestic Investment and Business Environment

Reducing the cost of doing business.

Streamlining regulatory frameworks to eliminate bureaucratic hurdles.



FDI & Export-Led Growth and Foreign Exchange Stability

Attracting investment from China, Saudi Arabia, UAE, Kuwait, and Gulf states.

Expanding China-Pakistan Economic Corridor (CPEC) Special Economic Zones (SEZs) to encourage export industries.

Implementing an export-led growth strategy to reduce reliance on foreign loans.

Supporting IT, software services, pharmaceuticals, agro-based exports, livestock, and fisheries.

Allowing duty-reduced import of raw materials to maintain export competitiveness.

Ensuring market-driven exchange rates to promote export competitiveness.

Recent Developments on the FDI Front

Moreover, Pakistan has made multiple efforts to attract foreign direct investment (FDI). While there are ongoing initiatives and commitments from international entities, the realization of these investments remains a challenge due to economic and political uncertainties. The success of Pakistan's FDI strategy will depend on its ability to create a stable economic and political environment, ensure regulatory consistency, and facilitate the timely execution of projects. Below are key developments across various sectors:

Investment Agreements and Collaborations

- **Saudi Arabia:** Discussions between Pakistan and Saudi Arabia have led to increased investment commitments, including \$2.8 billion in projects spanning energy, infrastructure, and technology. However, the pace of implementation remains slow.
- **Azerbaijan:** The Special Investment Facilitation Council (SIFC) is facilitating discussions for potential \$2 billion investments, focusing on motorway infrastructure, energy collaboration, and privatization opportunities.
- **UAE:** Pakistan and the UAE have reaffirmed commitments to enhance economic cooperation, with a focus on trade, investment, and financial partnerships.
- **Multilateral Agencies:** The International Finance Corporation (IFC) has pledged to support Pakistan in green energy, telecommunications, and digital transformation, aligning with the World Bank's broader commitment to allocate up to \$20 billion under its Country Partnership Framework.
- **MIGA Collaboration:** Pakistan is working with the Multilateral Investment Guarantee Agency (MIGA) to improve investment conditions and enhance investor confidence through financial guarantees and risk mitigation measures.

Sector-Specific Updates

- **Infrastructure:** The IFC has expressed interest in supporting Pakistan's large-scale infrastructure needs, including airports, energy, and port development, though execution challenges remain.
 - **Digital Economy:** Pakistan has invited global participation in its Digital FDI Initiative, scheduled for April 2025, aiming to attract investments in technology and innovation.
 - **Mining Sector:** The Saudi Development Fund has shown interest in investing over \$100 million in Pakistan's mining infrastructure, particularly in the Reko Diq project.
- Challenges and Constraints**
- **Renewable Energy:** International investors have raised concerns over Pakistan's move to renegotiate contracts with solar and wind independent power producers (IPPs), warning that such actions could deter future investments.
 - **Political Instability:** Political volatility remains a major hurdle in attracting sustained FDI. Investors continue to seek greater clarity and stability before committing to large-scale projects.
 - **Economic Pressures:** Pakistan is managing economic challenges, including an ongoing \$7 billion IMF bailout and the need to balance its external obligations while ensuring long-term financial sustainability.
 - **Climate Risks:** Vulnerability to climate change, highlighted by the 2022 floods, adds another layer of uncertainty, with investors seeking assurances regarding infrastructure resilience.

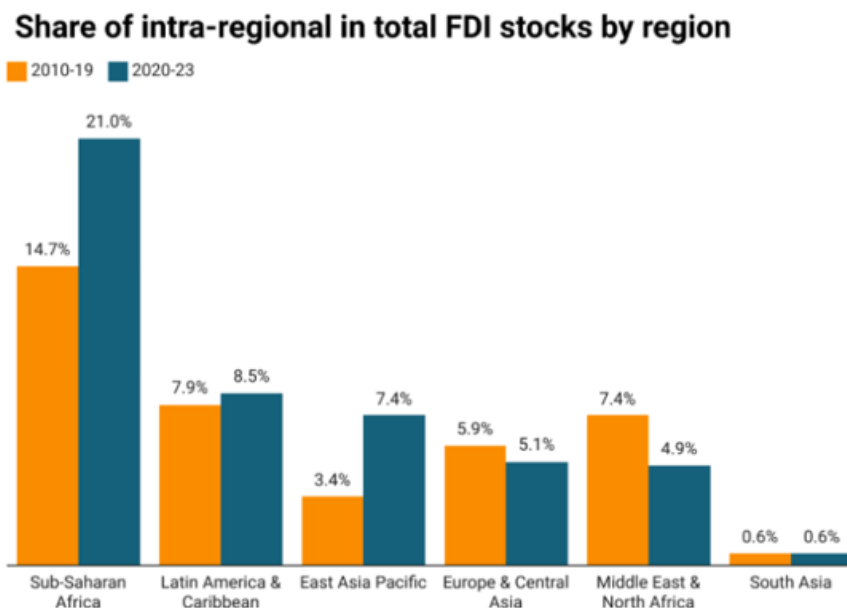


Global FDI Trends and Developments: A Shift in Investment Patterns and Emerging Opportunities

Foreign Direct Investment (FDI) continues to play a crucial role in shaping the global economic landscape, driving growth, technology transfer, and job creation. However, in recent years, global FDI patterns have undergone significant transformations due to geopolitical shifts, economic policy changes, and emerging industries. Some key trends and developments include:

1. The Rise of Regional and Intra-Regional FDI

Africa's Growing Reliance on Intra-Regional Investments: Africa has seen a notable increase in intra-regional FDI, rising from 14.7% during 2010–2019 to 21% between 2020 and 2023. This shift highlights a growing trend where African countries invest more within the continent, reducing reliance on Western investors. While IT infrastructure and business services have been leading intra-African investments, external FDI has been mainly focused on manufacturing and extraction industries.



Southeast Asia as a Rising Manufacturing and Tech Hub: Countries such as Vietnam, Indonesia, and Malaysia have emerged as major FDI magnets, attracting investments in semiconductors, renewable energy, and AI-driven digital services. Vietnam, for example, saw \$31.4 billion in FDI in early 2025, with firms like Foxconn, Nvidia, SpaceX, and Google investing in tech infrastructure.

Gulf Cooperation Council (GCC) Attracting Record Investments: The GCC region secured \$47 billion in FDI across 1,889 projects in 2023, with the UAE leading in project count (70%) and Saudi Arabia attracting the highest capital investment (62%). The region's strategy to diversify beyond oil, with heavy investments in renewable energy, AI, and industrial sectors, has strengthened its position as an investment hotspot.

2. Policy-Driven FDI Growth in Advanced Economies

U.S. FDI Policies and the Shift in Global Investment: The U.S. has increasingly used stringent FDI regulations to protect national interests. A recent memorandum signed by the US in 2025, imposed tighter restrictions on Chinese investments in key sectors, citing security concerns. This move is part of a broader trend where FDI policies are being used as geopolitical tools.

China's Strategic Outbound Investment Shift: China is transitioning from an FDI recipient to a major capital exporter, focusing on investments in clean energy, AI, and infrastructure across Southeast Asia, Africa, and the Middle East. With increasing scrutiny from Western nations, Chinese companies are diversifying investments into Thailand, Indonesia, Brazil, and Hungary.

India's FDI Evolution: India has liberalized FDI across defense, telecom, and retail, attracting \$71 billion in 2023–24. However, FDI inflows have declined to their lowest levels since 2018–19, prompting discussions on introducing mezzanine financing and other investment incentives to revive foreign interest.



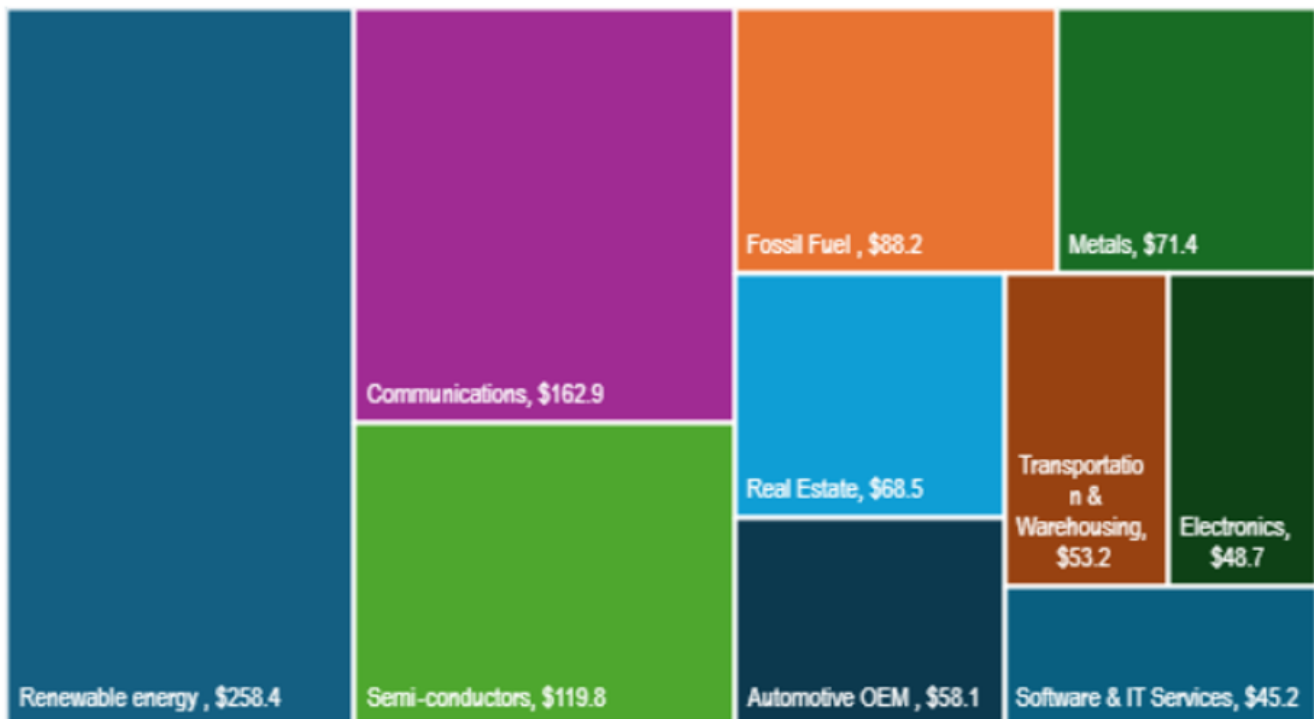
3. Sectoral Trends: Where Is FDI Going?

AI, digital infrastructure, and semiconductor investments soar. Southeast Asia is emerging as a digital and AI hub, with Amazon, Google, and Microsoft expanding AI-driven data centers. The UAE and KSA are also investing heavily in AI. Moreover, the U.S. CHIPS & Science Act and European digital strategies have accelerated semiconductor investments, positioning the industry as a top FDI driver.

Brownfield investments, primarily in the oil and gas sector, are experiencing a continued decline. Conversely, greenfield investments, dominated by renewable energy projects, are surging. In 2024, Europe alone attracted \$80 billion in greenfield renewable energy investments, with solar and wind projects leading the way. Furthermore, green hydrogen is emerging as a significant area of future greenfield growth.

Pharmaceutical and Biotech investments surge in the developed world with the European pharma sector witnessing record-high FDI in 2024, surpassing \$7 billion. Germany led pharma investments, with Sanofi and Daiichi Sankyo expanding manufacturing. AstraZeneca expanded its operations in Spain and France, reflecting increased interest in biopharmaceuticals and vaccine production.

Global Greenfield FDI by top 10 Sectors, 2024 \$(bn)



Source: FDI Intelligence

Challenges and Risks Impacting Global FDI

Global foreign direct investment (FDI) faces several challenges and risks that shape its trajectory. Geopolitical tensions and economic nationalism continue to disrupt FDI flows, particularly amid ongoing U.S.-China trade tensions. Washington's tightening of the Committee on Foreign Investment in the United States (CFIUS) oversight has influenced investment patterns, while China strategically diversifies into non-Western economies. Similarly, protectionist policies in Europe and North America pose potential roadblocks to FDI inflows, particularly in strategic industries.

Infrastructure gaps in developing markets also present significant barriers to FDI expansion. In Southeast Asia, a \$60 billion infrastructure deficit in logistics and energy limits the region's ability to fully capitalize on manufacturing-driven investment growth. Meanwhile, African nations continue to struggle with investment-friendly regulatory frameworks, which restrict their capacity to absorb increasing intra-regional investments.

Climate risks and sustainability pressures further impact FDI trends, particularly in energy-intensive sectors. Investments in data centers, for example, face heightened scrutiny due to their substantial energy and water



consumption. Additionally, climate change policies in Europe and the Gulf Cooperation Council (GCC) are increasingly shaping investor sentiment, with stricter green regulations influencing capital allocation decisions.

These evolving risks highlight the complexities of the global FDI landscape, requiring policymakers and investors to navigate an increasingly uncertain and regulated environment.

Key Lessons for Developing Countries Seeking FDI

1. Implement Proactive Industrial and Investment Policies

India, Vietnam, and the UAE have successfully leveraged tax incentives and infrastructure development to attract high-tech investments, positioning themselves as competitive destinations for global capital. Their strategic policies have created favorable business environments, encouraging multinational companies to establish operations. Pakistan can draw valuable lessons from these models by implementing targeted sectoral incentives, promoting investor confidence, and enhancing their economic appeal to attract similar high-value investments.

2. Focus on Future Industries (AI, Digital, Renewable Energy)

To remain competitive in the evolving global economy, countries must strategically position themselves within global supply chains for AI, semiconductors, and clean technology. Nations like Vietnam, Indonesia, and Mexico have successfully attracted global manufacturers by attracting investment-friendly environments and integrating into key production networks. Pakistan and other developing nations must follow suit by establishing special economic zones (SEZs) dedicated to technology and green industries, creating the necessary infrastructure and policy frameworks to attract high-value investments in these rapidly growing sectors.

3. Improve Infrastructure and Business Environment

Ease of doing business and infrastructure remain top priorities for investors seeking stable and efficient markets. To attract and retain investment, governments must reduce bureaucratic red tape, streamline approval processes, and develop sustainable industrial parks, creating a business-friendly environment that attracts growth and competitiveness.

4. Strengthen Regional Cooperation for FDI Attraction

ASEAN's regional FDI strategy that focuses on economic integration, trade facilitation, and investment-friendly policies, has successfully transformed Southeast Asia into a global manufacturing hub, attracting significant foreign investment through integrated policies and cooperation. To achieve similar long-term investment growth, Pakistan must develop regional investment frameworks that promote cross-border collaboration, streamline regulations, and enhance economic connectivity, making them more attractive to global investors.

