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Foreign Direct Investment in Pakistan Climbs to $208 Million in July

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Pakistan saw a modest yet encouraging increase in foreign direct investment (FDI) in July 2025, with inflows rising by 7 percent to reach $208 million. This compares with $195 million recorded in the same month last year, indicating steady investor interest rather than dependence on government stimulus despite persistent economic challenges.

According to figures released by the State Bank of Pakistan, total inflows during the month stood at $317 million, while outflows amounted to $109 million. The upward trend follows a strong performance in the last fiscal year, when net FDI more than doubled, climbing by 110 percent to reach $2.45 billion compared to the previous year. Economists note that this consistent growth reflects a combination of stabilizing macroeconomic indicators and private sector confidence in Pakistan's capacity to deliver returns without excessive state intervention.

China maintained its position as the leading source of investment, contributing $51 million in July. Canada followed with $36 million, while Switzerland accounted for $21 million. The diversification of investment sources highlights Pakistan's pursuit of broader market-driven partnerships, reducing reliance on a narrow set of allies and encouraging competition across sectors.

The July figures mark continuity in a trend that began earlier in the year, with several signs pointing to improving stability. The State Bank's reserve position has shown progress, while the government's debt repayment schedule, including upcoming Eurobond maturities, was met without resorting to extraordinary measures, supporting confidence in Pakistan's financial discipline. Analysts suggest that the steady rise in long-term investment signals international confidence in Pakistan's recovery path.

However, the data also reveals areas of concern. While FDI rose, Foreign Portfolio Investment (FPI) moved in the opposite direction, recording outflows of $34 million in July. This is a stark reversal from the $23.6 million in inflows seen during the same period last year. As a result, net foreign investment slipped to $163.5 million, significantly lower than the

$363 million registered in July 2024. Experts highlight that portfolio flows, often influenced by short-term sentiment, remain highly volatile and can shift quickly in response to global market dynamics.

Despite this decline in portfolio investment, the resilience of FDI is seen as a stabilizing factor for Pakistan's economy. Unlike speculative capital, direct investment represents longer-term commitments and is therefore less vulnerable to sudden market swings. For policymakers, the challenge now lies in ensuring that the momentum in FDI is sustained while working to restore confidence in portfolio investments.

The government's focus on maintaining fiscal discipline, improving transparency, and creating an investor-friendly environment rather than expanding subsidies or state-led projects has been credited for attracting greater interest from abroad. Incentives for key industries, including technology, manufacturing, and energy, are seen as areas where Pakistan could continue to draw consistent investment.

Overall, the 7 percent rise in FDI in July provides cautious optimism for the country's economic outlook. With China, Canada, and Switzerland among the key contributors, Pakistan appears to be consolidating its position as a viable destination for global investors. Continued progress will depend on how effectively the government manages external financing pressures while upholding responsible governance and encouraging market-led growth.