BUSINESS RECORDER
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Current Account (C/A) deficit

Current account (C/A) position of the country, though somewhat better than last year, continues to be under a great deal of pressure. According to the latest data released by the State Bank, C/A of the country posted a deficit of dollar 9.588 billion during July-March, FY19 compared to dollar 13.589 billion in the same period last year, depicting a decline of dollar 4 billion or 29 percent. Cumulative deficit of goods, services and income sectors fell by 11 percent or dollar 3.37 billion to dollar 27.727 billion in the first nine months of this current fiscal year compared to dollar 31.089 billion in the corresponding period of the previous year. The decline in deficit was due mainly to a sharp fall in the import bill of goods and services. The country's goods deficit, with dollar 18 billion of exports and dollar 39.314 billion of imports, declined to dollar 21.306 billion as compared to dollar 23.095 billion in the same period of last year. With dollar 3.945 billion of exports and dollar 6.479 billion of imports, services sector deficit during the first nine months of the current fiscal stood at dollar 2.534 billion, down by 41 percent than last year. Month-on-Month basis, the country's C/A balance registered a deficit of dollar 854 million in March, 2019 compared to dollar 308 million in February, showing an increase of 177 percent or dollar 546 million.

Some improvement in the external sector account of the country would appear to be a positive development though it could easily be seen that the C/A deficit is still very high and unsustainable and only looks smaller because of the record deficit registered in the previous fiscal year. If the present trend continues, C/A deficit during the present year could be much higher than the target of 4 percent of the GDP and a cause of great worry. Obviously, if the present trend continues, the huge C/A deficit would force the country to continue borrowing from outside sources to maintain the existing level of foreign exchange reserves and stabilise the exchange rate of the rupee. It also needs to be highlighted that C/A deficit continues to be the biggest challenge for the policymakers of the country. They have devalued the rupee by a substantial margin, tried to restrict imports through tariff measures and offered various kinds of incentives for export industries. Home remittances have also increased by about 9 percent during the current fiscal to give the needed support to the external sector accounts. As a short-term measure, the top authorities of the country have also visited a number of friendly countries including Saudi Arabia, the UAE and China to seek financial assistance. Though friendly countries have been quite liberal in extending their support to Pakistan, it needs to be mentioned that funds received from them are loans to be repayable with interest. Also, these kinds of loans could only be a one-time affair and are not likely to continue in the coming years. As such, it is imperative to eliminate the C/A deficit altogether, primarily through expansion in exports, substitution of imports by local production and increase in home remittances which have emerged over the last few years as a big support to the external sector accounts. There is no doubt that the present government has taken several bold measures to revert to a sustainable position in the external sector accounts but these do not seem enough to turn the tide and meet the challenges fully. The government has also decided to negotiate a programme with the IMF. Hopefully, the programme will not only make foreign exchange resources available to the country to ease the pain of adjustment but also serve to reduce overall demand in the country which will be helpful in containing the C/A deficit to a reasonable level.

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