

Current account deficit returns in November

KARACHI: The current account turned negative in November after posting a surplus in October, indicating the deficit is still here to haunt the economy.

However, the current account deficit (CAD) plunged by 73 per cent to \$319 million in November, as compared to \$1,166m in same period last year, reported the State Bank of Pakistan on Thursday.

The country witnessed a surprise current account surplus of \$70m (revised down from \$99m) in October — a feat achieved after four years of deficit.

During July-November, CAD clocked in at \$1.821bn, declining by a massive 73pc over \$6.733bn in same period last year. This consistent sharp decrease has helped the government improve its foreign currency reserves and stabilise the exchange rate.

The key reason for this decrease in CAD has been the huge cut in the import bill which dipped by 21.79pc to \$5.11bn during July-November, from \$6.53bn in same period last year.

Posts 73pc drop from same month last year

Meanwhile, the goods imports came down by 21.13pc to \$18.311bn during 5MFY20, as compared to \$23.218bn in corresponding period last year. On the other hand, services imports edged lower to \$3.784bn, from \$7.837bn. Consequently, the overall import of goods and services during the period fell by \$4.96bn to \$22.095bn, compared to \$27.055bn.

The contribution of exports in the sharp current account deficit fall was not significant as they increased to \$10.309bn during 5MFY20, as against to \$9.85bn in the same period previous last year — showing an uptick of 4.66pc.

Similarly, the export of services was almost the same at \$2.165bn in July-November versus \$2.103bn in corresponding period of 2018-19.

As a result, the balance of trade in goods and services came in at \$9.621bn in 5MFY20, down 36.29pc from \$15.102bn in same period last year. The same figure for November dipped by 33.08pc to \$1.788bn from \$2.672bn in same month last year while increasing by 10.98pc compared to this October when it stood at \$1.611bn.

The declining current account deficit has created a positive impact on foreign inflows with FDIs posting a healthy growth, along with investment in rupee-denominated government debt papers at record high.

The FDIs soared by 78pc during the first five months as the country received \$850 million, versus \$477m in same period last year.

Reserves soar

Meanwhile, in another press release issued, the State Bank of Pakistan reported that its reserves increased by \$1.659 billion to \$10.893bn during the week ended on Dec 13.

This rise came on the back of multilateral and other official including proceeds of \$1.3bn from the Asian Development Bank.

Holdings of the commercial banks clocked in at \$6.762bn while total liquid reserves of the country amounted to \$17.655bn.