BUSINESS RECORDER
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December current account deficit up 37 percent MoM

The country''s current account deficit rose sharply by 37 percent in December 2018 compared to November 2018. With some concrete measures taken by the federal government to curtail imports, the CA deficit was being estimated about one billion dollars in the last month of 2018. However, against the expectations, the CA deficit surged to $1.66 billion in December 2018 compared to $1.21 billion in November 2018, showing an increase of $450 million in a month.

Economists said higher import bill has largely contributed to massive current account deficit in December 2018, in which imports surged 9 percent to $4.6 billion. However, Year-on-Year (YoY) basis, current account deficit declined by 4.4 percent to $8 billion in the first half (July-Dec) of this fiscal year (FY19) compared to $8.4 billion in the same period of last fiscal year (FY18).

Economists believed that full year estimates of $12 billion current account deficit will be difficult to achieve if the deficit is not significantly curtailed in coming months. Further, tightening in near-term through interest rate hike and devaluation cannot be ruled out, they added.

The government should also implement significant additional taxation measures in next week''s mini budget to curtail both demand and the burgeoning fiscal deficit, they added.

They said Pakistan is already facing a balance of payment crisis and making efforts to generate funds to support it. In the current situation higher deficit will create more challenges for the government.

Pakistan has successfully got pledges of over 10 billion dollars to manage balance of payment crisis. During the visit of Prime Minister Imran Khan, Saudi Arabia announced $6 billion bailout package for Pakistan. This includes placement of $ 3 billion with Pakistan for one year and $ 3 billion deferred oil import facility. Out of these, some $ 2 billion were released by Saudi Arabia in November and December 2018.

In addition, the UAE has promised placement of $3 billion to support the balance of payment. In addition, talks with China are also in progress for $ 2 billion soft loan to build the depleting foreign exchange reserves, they maintained.

According to the SBP, combined deficit of trade, services and income sector remained flat at $20.1 billion in July-Dec of this fiscal year due to massive decline in service imports followed by lower travel and transport services import bills. During the period under review overseas workers remitted $10.72 billion, up by 10 percent.

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