

**C/A deficit shrinks by 59pc in February**

KARACHI: The current account deficit (CAD) plunges by 59 per cent in February compared to January in this fiscal FY19 which drastically reduced the deficit for the first 8 months of this fiscal.

The State Bank of Pakistan reported on Friday that CAD came out at \$356 million, down from \$873m in January; a decrease of \$517m.

The government is faced with a massive CAD — which stood at \$18.9 billion in FY18 — and has been the cause of dwindling reserves. However, since the beginning of the this year, there has been persistent decrease in CAD as it fell by 47pc month-on-month in January.

During July-February FY19, CAD fell to \$8.844 billion, down 22.5pc, from \$11.421bn in same period last year.

The primary driver of CAD is the large trade deficit. In February, exports were recorded at \$1.862bn, plunging by 18pc, from \$2.272bn in January. Imports also declined hence not to create any big impact on current account deficit. The imports during Feb were \$3.513bn compared to \$4.403bn in January.

The import and export figure during the eight-month period did not show much change. Foreign sales during 8MFY19 were posted at \$15.975bn, from \$15.987m in same period last fiscal year.

However, trade deficit for the period fell by \$557m to \$19.282bn, as against \$19.839bn in corresponding period the year before. Meanwhile, the deficit in trade of services recorded a much sharper decrease as it declined to \$2.304bn, from \$3.630bn.

The government is making efforts to bring down CAD under control but the mixed trend on exports would make the job more difficult. Despite the massive rupee devaluation, export figures didn't present a healthy picture. The government is also trying to cut down the import bill through a number of measures, such as oil on deferred payments from by Saudi Arabia worth \$3bn.

The decline in import bill would help the country meet its ballooning debt servicing payments, which amounted to \$5bn in the first two quarters of 2018-19.

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