


Current account deficit narrows 27pc as imports curtailed, remittances up

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KARACHI: Current account deficit narrowed 27 percent in first 10 months of fiscal 2019, the central bank data showed on Tuesday, as a weak rupee and sluggish economy slowed demand for imports.

The country posted a current account deficit of \$11.586 billion in July-April period of fiscal 2019, narrowing from a deficit of \$15.864 billion a year earlier, according to the central bank data.

A yawning current account deficit is one factor driving foreign investors out of Pakistan, alongside weak economy, pushing the rupee down to touch record lows in daily trade.

The State Bank of Pakistan (SBP) data, however, showed that the current account deficit widened to \$1.241 billion in April from \$871 million in the previous month.

The central bank data showed that the decline in deficit in first 10 months was driven by low goods and services imports and higher growth in remittances. In July-April, remittance flows rose 8.45 percent to \$16.481 billion.

The trade deficit fell 12.82 percent to \$26.302 billion in July to April 2018/19 fiscal year, with imports having declined 7.88 percent to \$45.471 billion from \$49.360 billion. Exports showed a growth of 0.12 percent in 10 months of this fiscal year. Exports stood at \$19.169 billion compared with \$19.191 billion in the same period last year.

Analysts said rupee devaluation is not bearing fruits as far as exports proceeds are concerned as they continued to show a stagnant growth. The rupee has depreciated by 37 percent since January last year.

“Major issue is at exports front rather than imports,” brokerage Alfalah Securities said. “A more direct policy action for controlling current account slippages has already been brought into action in the form of rupee depreciation.”

The SBP unexpectedly raised its benchmark interest rate by 150 basis points to 12.25 percent in the monetary policy on Monday. The exchange rate has depreciated by 5.93 percent to Rs149.65 per US dollar since the announcement of last monetary policy in March.

But, the central bank the downward trend reflected “a combination of underlying macroeconomic factors and market sentiment considerations”.

The SBP said financing of the current account deficit would not be an easy task for the government despite improvement in the current account deficit.

The central bank's foreign exchange reserves depleted to \$8.8 billion as of May 10 from \$10.5 billion at end-March 2019.

The SBP said the current level of reserves is below standard adequacy levels – equal to three months of imports cover.

“The deep structural reforms are required to improve productivity and competitiveness of export-oriented sectors and improve the trade balance,” it said in a statement.