

Our Correspondent

### **C/A deficit contracts 64pc in July-Sept**

KARACHI: Current account deficit sharply narrowed 64 percent to \$1.548 billion in the first quarter of the current fiscal year as imports significantly declined during the period, the central bank data revealed on Friday.

Current account deficit stood at \$4.287 in the corresponding period of the last fiscal year, the State Bank of Pakistan's data showed.

Current account deficit narrowed to \$259 million in September 2019 compared to \$610 million in August 2019 and \$1.278 billion in September 2018.

Analysts said the massive contraction in the current account deficit was due to narrowed trade deficit. Trade deficit contracted 35 percent to \$5.72 billion in the July-September period with import sharply falling 21 percent to \$11.25 billion. Exports, however, edged up around three percent to \$5.55 billion.

The analysts termed the decline in current account deficit as a positive sign for the economy. But, the government should take the steps to boost exports.

Khurram Schehzad, chief executive officer of financial advisory firm Alpha Beta Core said current account deficit contracted but economic growth also slowed down at the same time.

"Imports sharply fell but the economy has no import substitution," Schehzad said. "The current account deficit has declined on high interest rates and massive depreciation of rupee."

Schehzad, who's also a member of the board of Privatisation Commission, said such measures helped the economy, but the government needs to ensure investment in the system to promote domestic production to meet the consumption demand.

In July-September, current account deficit stood at 2.2 percent of GDP compared to 5.5 percent of GDP in the corresponding period a year earlier.

Analysts believed that current account deficit would reach around \$7 to \$8 billion in the current fiscal year compared to \$13.83 billion, or 4.9 percent of GDP, in fiscal 2018/19.

Ahsan Mehanti, chief executive officer of Arif Habib Commodities said the government should focus on growth in exports to maintain the contraction in the current account deficit.

Mehanti said the massive quarterly decline in current account deficit would augur well for the financial markets in the next trading session. "Both the stock and currency markets may positively respond to such gain in balance of payment," he added.

State Bank data showed that the net deficit from current and capital account narrowed to \$1.44 billion during the first quarter of the current fiscal year. Net deficit from current and capital account stood at \$4.181 billion in the corresponding period of the last fiscal year.