

Jul-Aug C/A deficit plunges 55pc YoY

KARACHI: The country's external sector continued to show a significant improvement as the current account deficit sharply fell by 54.6 percent during the first two months of this fiscal year (FY20).

The State Bank of Pakistan (SBP) Thursday reported that Pakistan's current account deficit stood at \$ 1.292 billion in July-Aug of FY20 compared to \$ 2.85 billion in the same period of last fiscal year (FY19), depicting a decline of \$ 1.558 billion.

Economists said that the external account is gradually improving supported by some structural reforms initiated by the government to save the depleting foreign exchange reserves. "The massive contraction in the goods import bill has largely contributed to the lower current account deficit in the initial months of this fiscal year, however the higher services and income sector deficit slightly offset this sharp decline," they said.

Economists believed that recent improvements in the balance of payments will continue in coming months and also reduce the pressure on the country's foreign exchange reserves.

According to SBP, cumulative deficit of goods trade, services and income stood at \$ 5.530 billion in the first two months of FY20 against \$ 7.521 billion in the same period of last fiscal year, showing a decline of \$ 1.99 billion.

With 23 percent contraction in imports and some 1.4 percent increase in exports, the country's overall goods trade deficit fell sharply by 40 percent to \$ 3.562 billion in July-Aug of FY20. During the period under review, with \$ 809 million exports and \$ 1.85 billion imports, services trade deficit stood at \$ 1.042 billion up from \$ 803 million.

Similarly, income sector outflows stood at \$ 999 million and inflows \$ 73 million, showing a deficit of \$ 926 million during July-August of FY20.

Month-on-month basis, current account deficit declined from \$678 million in July 2019 to \$614 million in August 2019.