

CAD shrinks 71 per cent in eight months

KARACHI: Pakistan's current account deficit (CAD) shrank 71.04 per cent to \$2.843 billion during first eight months of this fiscal year compared to \$9.817bn in the corresponding period last year, said the State Bank of Pakistan (SBP) on Wednesday.

In percentage terms, the CAD narrowed to 1.5pc of GDP during the July-Feb period compared to 5pc in the same period last year mainly on the back of 26.06pc reduction in the trade balance.

The Pakistan Bureau of Statistics (PBS) trade data showed the country's imports during the period under review declined by a massive 13.81pc. However, the export sector failed to impress despite almost 50pc fall in the rupee's value in the last 24 months.

Exports inched up 3.62pc to \$15.643bn during the July-February period compared to \$15.097bn in the corresponding period last year. Exports are likely to remain stagnant in the remaining months as the global virus-related shutdowns have already slowed down industrial production especially in export-oriented sectors.

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On a month-on-month basis, the CAD shrank by 60pc to \$210 million compared to \$534m in January.

The government had, at the beginning of the current fiscal year, introduced a range of measures including market-based exchange rate, interventions in the form of curbs on unnecessary imports and extension of significant incentives to the export-oriented sectors.

The government has also slowed down the machinery and construction-related imports from China following the completion of China-Pakistan Economic Corridor Phase I.

In addition, the deficit is likely to shrink further in the remaining months of current fiscal year following the significant reduction in the global crude prices. Crude prices have fallen to their 18-year lows as inventories have built up in the wake of global shut down prompted by the spread of coronavirus.

Petroleum imports account for more than one-fourth of the country's total imports bill. The WTI crude prices have fallen from \$61.49 per barrel in December 2019 to current \$24.19.

SBP Governor Dr Reza Baqir while announcing the monetary policy on Tuesday remarked that "the plummeting global oil prices will improve the current account."

The SBP in the monetary policy announcement also noted that "the impact on the current account was expected to be mildly positive as the savings from low oil prices were expected to offset potential weaknesses in net exports and remittances."