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Jul-Feb CA deficit narrows down 71pc YoY

KARACHI: The country's current account deficit contracted by 71 percent during the first eight months of this fiscal year (FY20), mainly driven by a significant reduction in import bill and modest growth in workers' remittances.

According to the State Bank of Pakistan (SBP), current account posted $2.843 billion deficit during Jul-Feb FY20 compared to $9.817 billion during the same period of last fiscal year (FY19), depicting a decline of $6.974 billion.

Economists said the improvement in current account is supported by a sharp reduction in goods imports and some growth in exports and home remittances. Inflows of home remittances posted 5.4 percent growth to $15.127 during the first eight months of this fiscal year. During the period under review, goods imports were declined by 18 percent to $36 billion.

With support of SBP's Export Refinance Schemes, Pakistan's exports have also performed better in recent months compare to other competitors and despite the challenging external environment it moved upward side.

Economist said that improvement in exports reflected the benefits of a more competitive market based exchange rate, availability of low-cost funding for export-oriented sectors under the SBP's refinancing facilities and government efforts to facilitate businesses.

According to the SBP, the collective deficit of goods trade, services and income stood at $19.378 billion in first eight months of FY20 against $22.567 billion in the corresponding period of FY19, showing a decline of $3.189 billion.

The massive, some 35 percent, contraction in import bill has also helped contain the country's goods trade deficit at $13.217 billion in July-Feb FY20 compared to $20 billion in the same period of last fiscal year.

With $3.7 billion exports and $6.06 billion imports, services sector posted $2.363 billion deficit down from $2.63 billion. Income sector inflows were $423 million against outflow of $4.221 billion, resulting in $3.798 billion deficit.