DAWN

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C/A deficit down 4.5pc in July-Oct

KARACHI: The current account deficit shrank by 4.5 per cent during the first four months of this fiscal year, however it is still much higher than desired level as the government struggles to reduce deficits and avoid large foreign borrowings.

The latest report by the State Bank of Pakistan shows the country has a current account deficit of $4.840 billion during July-October period of 2018-19, albeit declining by $232 million, from $5.072bn in the same period last year.

Massive current account deficit inherited by the PTI government has forced it to approach several countries as well as international donors like the International Monetary Fund (IMF) to borrow about $12bn for meeting the gap. In FY18, the total deficit amounted to $18bn.

Despite a number of protective measures taken by the government, imports could not be brought under control, which was the main driver for this high deficit. In 4MFY19, imports of goods and services increased by 2.3pc to $21.32bn whereas exports grew by 3.6pc to $9.72bn.

In October, the current account deficit widened by 34pc to $1,218m, compared to $909m in September.

The growth in imports of goods and services in the outgoing month far exceeded the increase in exports. The imports of goods and services in October surged by 23pc month-on-month to $5.382bn while exports rose by 14pc during the period.

If the trend in imports persists for the next three months, the current account deficit could cross its record levels, witnessed in the previous fiscal year.

The government's announcement that the current account woes are over does not seem to hold, especially since no inflow of the promised $3bn from Saudi Arabia has materialised yet while details regarding the IMF and Chinese packages are still to be finalised.

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