

Current account deficit jumps to \$2.2bn in FY13 | Forex, Pakistan

Written by Administrator
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KARACHI: Pakistan's current account posted a \$2.299 billion deficit during FY13, compared to \$4.658bn in the same period last year, the State Bank of Pakistan revealed on Thursday.

The current account remained negative, amid weak financial inflows and external debt repayments, it said. During June, the current account witnessed a deficit of \$163 million, the SBP said. The current account deficit was equivalent to two percent (negative) of gross domestic product (GDP) against the official target of 0.1 percent of GDP.

Economists said that the size of the current account is not a real issue and can be managed. The root cause of the problem is inadequate capital inflows required for the financing of the external debt servicing.

We need foreign exchange to fulfill the foreign debt obligations, said Dr Ashfaque Hassan Khan, dean of NUST Business School. Pakistan received \$1.8 billion from the United States under the Coalition Support Fund during FY13. However, after that no inflows in terms of external financing have been received from the international lenders and the auction of 3G licences and pending dues from Etisalat for the privatisation of the Pakistan Telecommunication Company Limited (PTCL) materialised during the last fiscal year, he added.

We are financing the external debt, which we owed to multilateral institutions, including the International Monetary Fund (IMF), which resulted in the drawdown of forex reserves of the State Bank and weakening of the exchange rate, he added.

Negative imports growth shows slowdown in the economy but it helped the current account to show lower growth as compared to FY12, another economist said.

The country's trade deficit narrowed by 4.02 percent to \$20.432 billion in FY13 compared to \$21.288 billion in the last fiscal year. This was due to higher growth in exports than in imports.

The data revealed that \$2.299 billion deficit includes the trade balance, which remained in deficit, as well as the shortfall in the financial account.

There are chances that the agreed \$5.3 bailout package by the IMF will provide breather to the country's balance of payments situation and exchange rate, an economist said.

The rupee fell to its weakest level of 100.83 against the dollar in the official market recently, showing the weakness of the economy and loss of confidence on Pakistan's ability to repay its debt obligations, he said.

The external debt payments scheduled for FY14 amount to \$5.8 billion (2.5 percent of GDP), including almost \$3 billion to the IMF.

The size of the current account deficit has been soaring since the third quarter of the last fiscal year. The SBP's statistics said the country witnessed a surplus of \$362 million in July-September FY13, then it continued to show deficits till the end of FY13.

Economists said Pakistan's economy faced deficit in its current account despite an impressive growth in the foreign direct investment during FY13.

The inflow of foreign direct investment in Pakistan rose by 76.4 percent in fiscal year 2012-13 to \$1.447 billion as compared to \$820.6 million in 2011-12. Pakistani expatriates sent record high remittances of \$13.92 billion in July-June FY13.

Courtesy: The News