

Current account posts \$1.95bn deficit | Forex, Pakistan

Written by Administrator

Tuesday, 18 June 2013 09:44 -

KARACHI: Pakistan ran up a current account deficit of \$1.952 billion in 11 months (July-May) of the current fiscal year due to heavy external debt repayments and sluggish growth in remittances inflows, balance of payments figures issued by the State Bank of Pakistan (SBP) showed on Monday.

The country's current account deficit stood at \$3.92 billion during the same months of the last fiscal year, SBP data revealed. The size of the current account deficit which includes the country's financial account as well as the decline in inward remittances from overseas Pakistani workers is higher than the deficit of \$1.606 billion that was reported for the period between July and April FY13.

During May 2013, the current account incurred a deficit of \$346 million, SBP said. Analysts said Pakistan's economy faced a deficit in its current account despite an impressive growth in foreign direct investment (FDI) from July to May FY13.

Pakistan attracted an amount of \$1.318 billion between July 2012 and May 2013 under the head of FDI after a gap of two years as a result of oil and gas explorations as well as the food and financial sectors.

Analysts said the proposals put forward by the government in the finance bill 2013 are in line with IMF requirements for approval of a new \$5 billion Extended Term Facility in the coming fiscal year.

There is a strong possibility that a new loan programme will be requested in 2013 primarily because of large debt payments to the IMF, they said. I make this assumption on the possibility that \$1.8 billion in foreign inflows may materialise by the end of this month under coalition support, said one analyst.

Analysts further predict the probability of \$1 billion to \$5 billion loan deferment facility by Saudi Arabia along with an auction of 3-G license and pending dues from Etisalat for the privatisation of PTCL is expected to cushion the balance of payments.

However, it is unlikely that these developments will materialise in the short term. Pakistan has to pay external debt payments of \$5.8 billion (2.5 percent of GDP), including nearly \$3 billion to the IMF in FY14.

Pakistan's foreign exchange reserves are in decline as they were reported at \$11.446 billion during the week that ended on June 7, 2013. The foreign currency reserves of the SBP stood at \$6.286 billion during the week under review.

Erum Zaidi
Courtesy: The News