

Trade deficit narrows 2.6% in July-April

STAR BUSINESS REPORT

The country's trade deficit narrowed by 2.60 percent in the first ten months of the current fiscal year compared to the same period a year ago, thanks to a rise in export earnings coupled with subdued imports.

During the July-April period of fiscal year (FY) 2024-25, the trade gap was \$18.22 billion, down from \$18.70 billion in the corresponding period of FY24, according to the latest data from the central bank.

Export earnings increased by 8.6 percent year-on-year to \$36.56 billion in the first ten months of this fiscal year.

On the other hand, import costs rose by only 4.6 percent year-on-year to \$54.79 billion from the same period a year ago, central bank data showed.

Industry insiders said that slower import growth compared to export growth helped narrow the trade gap slightly.

They said that slow import growth is not a positive sign for the economy in the long run, as it indicates a sluggish business environment, a slowing economy, and lacklustre investments.

During the July to April period of the current fiscal year, the settlement of letters of credit (LCs) for capital machinery fell by 25.56 percent to \$1.70 billion, indicating a dull

business environment.

Another major development in the balance of payments is the country's current account balance. The deficit in the current account balance narrowed in the first ten months of this fiscal year.

From July to April of FY25, the current account balance deficit stood at \$1.39 billion, down from \$6.02 billion in the same period of the last fiscal year, BB data showed.

Bankers credited the growing remittance trend for reducing the current account balance deficit.

A significant development is that the financial account is in positive territory.

The financial account, a component of the balance of payments, records claims on or liabilities to non-residents concerning financial assets. It includes components such as direct investment, portfolio investment, and reserve assets, broken down by sector.

The financial account in the first ten months of FY25 stood at \$1.96 billion, down from \$2.25 billion in the same period of the last fiscal year, data showed.

The balance of payments (BoP) data show that foreign direct investment (FDI) dropped by 29 percent year-on-year.

The country received \$910 million in the first ten months of FY25, down from \$1.27 billion in the same period last year.

