

# CAD up marginally, at 1.1% of GDP in Q3FY25

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India's current account deficit (CAD) rose marginally to \$11.5 billion, or 1.1 per cent of gross domestic product (GDP), during the October-December 2024 quarter of the ongoing financial year (Q3FY25) from \$10.4 billion, or 1.1 per cent of GDP, a year ago, amid a rise in service exports.

Sequentially, CAD moderated from \$16.7 billion in Q2FY25, or 1.8 per cent of GDP, latest data released by the Reserve Bank of India (RBI) showed.

"India's current account deficit widened, albeit to a lower-than-expected \$11.5 billion in Q3FY25 from \$10.4 billion in the year-ago quarter, led by a higher merchandise trade deficit. This amounted to 1.1 per cent of GDP, similar to the year-ago levels, although it was well below the 1.8 per cent of GDP seen in Q2FY25, and Icra's expectations of 1.4 per cent of GDP for that quarter," said Aditi Nayar, chief economist, Icra.

The current account is expected to witness a surplus of \$4-6 billion in Q4FY25, aided by a seasonal uptick in merchandise exports and the resulting moderation in the merchandise trade deficit, as well as

## FACT FILE

(in \$ bn)

	Q3FY24	Q3FY25
Current account balance (in \$)	-10.4	-11.5
Current account balance as % of GDP	-1.1	-1.1
Goods	-71.6	-79.2
Services	45	51.2
Primary income	-13.1	-16.7
Secondary income	29.3	33.2

Source: RBI

healthy services surpluses. Overall, CAD is estimated to be at 0.8 per cent of GDP in FY25, before expanding slightly to nearly 1.0 per cent of GDP in FY26, even though the tariff-related uncertainty could act as a spoiler, Nayar added.

Merchandise trade deficit increased to \$79.2 billion in Q3FY25 from \$71.6 billion during the same period of FY24.

"Net services receipts increased to \$51.2 billion in Q3FY25 from \$45 billion a year ago. Services exports have risen on a year-on-year (Y-o-Y) basis across major categories such as computer services, business services, travel services, and transportation services," the RBI said in a statement.