KOLKATA
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At $9.8 b, CAD widens to 1.1% of GDP in April-June 2024

Our Bureau
Mumbai

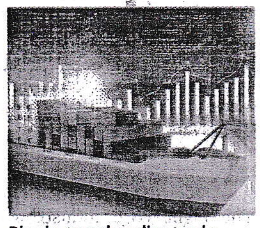
India's current account deficit (CAD) has widened marginally to 1.1 per cent of the GDP in the first quarter (Q1) of FY25. CAD rose to $9.8 billion from $8.9 billion (or 1 per cent) in the year-ago period, due to a rise in merchandise trade deficit.

CAD occurs when the value of goods and services that a country imports exceeds that of it exports. In absolute terms, CAD was at $8.9 billion against 8$.9 billion in the year ago quarter. The country had recorded a current account surplus of $4.6 billion (0.5 per cent of GDP) in Q4 of FY24.

Merchandise trade deficit in the quarter rose to $65.1 billion against $56.7 billion in the year-ago quarter.

OIL AND GOLD

Madan Sabnavis, Chief Economist, Bank of Baroda, said, "The CAD is fairly comfortable and we may expect the deficit to be around 1.5 per cent for the year based on these trends persisting for the full year."



Rise in merchandise trade deficit was cited for the marginal rise in CAD ISTOCKPHOTO

He opined that both oil and gold were responsible for the increase in merchandise trade deficit and other non-oil imports. Net service receipts increased on a year-on-year (y-o-y) basis, to $39.7 billion in Q1FY25 from $35.1 billion a year ago.

Service exports have risen on a y-o-y basis across major categories such as computer, business, travel and transportation services, RBI said in a statement. Private transfer receipts, remittances by Indians employed overseas, increased to $29.5 billion in Q1FY25 from $27.1 billion in Q1FY24. Net outgo on the primary income account, reflecting payments of investment income, rose to $10.7 billion in Q1FY25 from $10.2 billion in Q1FY24.

FDIS AND FPIS

Net foreign direct investment inflows increased to $6.3 billion in Q1FY25 from $4.7 billion in the year-ago period. Net inflows under FPI moderated to $.9 billion from $15.7 billion. Sabnavis said FPI will turn around, given debt flows expected due to the inclusion of bonds in the JP Morgan index.

Net inflows under external commercial borrowings (ECBs) to India amounted to $1.8 billion in Q1FY25, lower than $5.6 billion in the corresponding period a year ago. Non-resident deposits (NRI deposits) recorded inflows of $ 4 billion, higher than $2.2 billion a year ago. There was an accretion of $5.2 billion to foreign exchange reserves in Q1FY25 as compared to $24.4 billion in Q1FY24.