

CAD widened to 1.3% of GDP in Q3 on higher trade deficit

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India's current account deficit (CAD) widened to \$13.2 billion, or 1.3 per cent of gross domestic product (GDP), in the October-December quarter (Q3FY26) on the back of a higher merchandise trade deficit, according to data released by the Reserve Bank of India (RBI) on Monday.

The CAD stood at \$11.3 billion, or 1.1 per cent of GDP, in Q3FY25. The merchandise trade deficit expanded to \$93.6 billion in Q3FY26, compared with \$79.3 billion in the year-ago quarter. "Not only did current account deficit widened (amid unfavourable seasonality) vs Q2, but the capital account also registered a deficit, weighing on the Balance of Payment (BoP) deficit, which further widened to \$24.4 billion (Q2: -\$10.9 bn)," Barclays said in a report.

The capital account balance moved to a deficit of \$10 billion in

Mind the gap

India's current account balance

Quarter-ended	\$ bn
June 30,'24	-4.45
Sep 30,'24	-20.83
Dec 31,'24	-11.32
Mar 31,'25	13.65
Jun 30,'25	-2.72
Sep 30,'25	-12.31
Dec 31,'25	-13.2

Source: RBI

Q3, from a surplus of \$ 2.1 billion in Q2. This was driven by net outflows from both FDI and FPI channels. "For a country with a CAD and a large oil import bill (27 per cent of total imports), oil price shocks can quickly put further stress on BoP dynamics," the report said, while commenting on oil shock amid rising tensions in West Asia.

According to the RBI data, net services receipts rose to \$57.5 billion,

from \$51.2 billion a year earlier, supported by growth in exports of computer services and other business services. Net outgo on the primary income account, mainly reflecting investment income payments, declined to \$12.2 billion in Q3FY26 from \$16.4 billion in Q3FY25.

Personal transfer receipts, representing remittances by Indians employed overseas, increased to \$36.9 billion during the quarter from \$35.1 billion a year ago.

On the financial account, foreign direct investment (FDI) recorded a net outflow of \$3.7 billion in Q3FY26, higher than the net outflow of \$2.8 billion in Q3FY25. Foreign portfolio investment (FPI) saw a marginal net outflow of \$0.2 billion, sharply lower than the \$11.4 billion net outflow in the year-ago quarter.

Foreign exchange reserves declined by \$24.4 billion on a balance of payments basis in Q3FY26, compared with a depletion of \$37.7 billion in the year-ago quarter.