

India's current account balance to rise 1 per cent of GDP in Q2FY25

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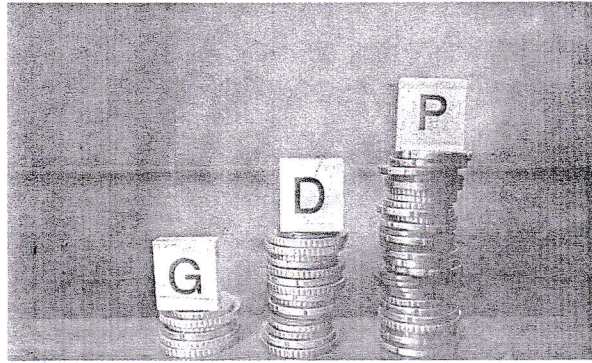
A latest report by India Ratings and Research (Ind-Ra) on Wednesday said India's current account balance (CAB) is expected to rise to 1% of the country's gross domestic product (GDP) in the second quarter (Q2) of the financial year 2024-25.

The report further anticipates a deficit of approximately \$8 billion, equal to 0.8% of GDP in the first quarter itself. This is a reversal from the surplus of \$5.7 billion, or 0.6% of GDP, recorded in the last quarter.

Ind-Ra expects the services trade surplus to grow by 10.6% Y-o-Y to \$44 billion in Q2FY25. Overall, India's CAD is projected to increase to around 1% of GDP in the second quarter of FY25.

Ind-Ra further forecasts a 1% Y-o-Y increase in merchandise exports, touching about \$108 billion in the second quarter of FY25, driven largely by a favourable base effect.

Merchandise imports are expected to rise by 3.5% Y-



o-Y to approximately \$176 billion during the same period.

Consequently, the goods trade deficit for India is projected to widen to \$68 billion in Q2FY25.

As per Ind-Ra, the top 10 contributors to the Y-o-Y growth in exports included petroleum products, telecom instruments, aircraft, spacecraft and parts, other commodities, drug formulations and biologicals, electric machinery and equipment, residual chemical and allied products, gold and other precious metal jewellery, computer hardware and peripherals, and basmati

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India's trade deficit with China remains substantial, increasing to \$21.8 billion in Q1FY25 from \$20.1 billion in the previous quarter. Historically, the trade deficit with China has fluctuated between \$18.4 billion and \$24.9 billion since Q4FY22, it said.

Global trade has shown signs of resilience in FY25 despite the uncertain and volatile economic climate, Ind-Ra noted.

During the first quarter of FY25, global trade witnessed a 1.4% Y-o-Y growth, marking the fastest expansion in six quarters.