

GLOBAL CURRENT ACCOUNT IMBALANCE HITS INDIA WORSE THAN PEERS

CAD projected at 3.5 per cent for 2022 in latest IMF World Economic Outlook report

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India is doing worse than many emerging market (EM) peers amid the widening current account balances globally. The current account balance is a measure of the money flowing into the country through trade and other means versus similar outflows.

The International Monetary Fund (IMF) projects that India will have a current account deficit equal to 3.5 per cent of its gross domestic product (GDP) in 2022. This is among the highest that the country has seen.

Other EMs' current account balance has not been as badly affected by the recent economic volatility, shows an analysis of data from the IMF's World Economic Outlook released on Tuesday.

India's current account balance is worse than



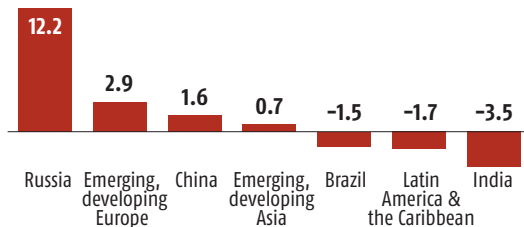
that of Brazil, China, Russia and emerging markets as well as developing market peers in Asia and Europe, besides Latin America and the Caribbean (chart 1).

India's figure had touched around five per cent in 2012, ahead of the taper tantrum, according to additional data from the World Bank. Global current account balances increased during Covid-19. It has also risen because of the

recent commodity price volatility. "Whereas global trade growth is declining, global trade balances have widened. After shrinking during 2011-19, global current account balances – the sum of all economies' current account surpluses and deficits in absolute terms – rose during Covid and are projected to rise further in 2022. It has in 2022, mirrored the rise in commodity prices associated with the war," said the IMF report.

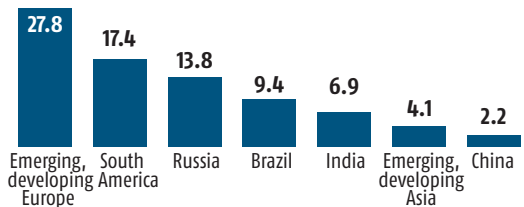
RUNNING BEHIND

Current account balance as % of GDP



PEERS HAVE DOUBLE-DIGIT INFLATION

2022 inflation projection (consumer prices annual average change, in %)



Source: IMF