

# Goldman sees remittances keeping CAD lower in 2023

MANOJIT SAHA

Mumbai, 17 May

The country's current account deficit may narrow to 1.4 per cent of GDP or \$50 billion in 2023 as compared to 2.4 per cent in the previous year as net remittances flows are expected to be \$104 billion, a Goldman Sachs report said.

“With almost \$110 billion in gross remittance receipts (3.2 per cent of GDP in 2022), India was one of the highest recipients of remittances globally,” the report said.

“Given these tailwinds from our estimate of: a) higher remittance inflows, b) higher services trade surplus, and c) a lower goods trade deficit, we revise our CY23 current account deficit forecast significantly lower to \$50 billion or 1.4 per cent of GDP,” Goldman Sachs said.

Remittance share from countries in West Asia, which account for 54 per cent of Indian workers abroad, has risen 10 percentage points in share from 2010 to 58 per cent

## Credit card spend in forex to come under RBI's remittance scheme

Spending in foreign exchange through international credit cards will be covered under the RBI's liberalised remittance scheme (LRS), under which a resident can remit money abroad up to a maximum of \$2.50 lakh per annum without the authorisation of the Reserve Bank, as per a Finance Ministry notification. The ministry on May 16 notified the Foreign Exchange Management (Current Account Transactions) (Amendment) Rules, 2023, to include international credit card payments in the LRS.

PTI

in 2021, while the share of United States and Canada have remained stable at 22 per cent. West Asia nations include the UAE, Saudi Arabia, Qatar, Oman, Kuwait, and Bahrain.

“Based on the empirical analysis, and assuming average Brent oil price of \$88/bbl for CY23, we estimate remittance receipts to range between \$111 billion and \$123 billion. Assuming remittance outflow of 9 per cent of receipts (based on 2017-2022 average), we estimate net remittances to range from \$101-\$112 billion for CY23,”

the report said.

Despite an improved external situation, Goldman expects rupee to underperform Asian peers. “We believe appreciation pressures on the rupee will likely be capped since we expect the RBI to lean against any inflows, and replenish forex reserves.

Further, unsterilised forex market interventions by the RBI can also help ease rupee liquidity crunch in the domestic banking system, which is likely to continue into the year-end,” Goldman said.