

India's CAD falls to 1% of GDP at \$8.3 bn in Sep qtr

This is due to lower merchandise trade deficit and growth in services exports



ILLUSTRATION: AJAY MOHANTY

INDIA'S CAD PROFILE (in \$ bn)

	Q2FY23	Q2FY24
Current account balance	-30.9	-8.3
Current account balance (as % of GDP)	-3.8%	-1.0%
Goods	-78.3	-61.0
Services	34.4	40.0
Primary income	-11.8	-12.2
Secondary income	24.8	25.0

Source: RBI

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Mumbai, 26 December

India's current account deficit (CAD) narrowed sequentially to \$8.3 billion, or 1 per cent of gross domestic product (GDP), in the quarter ended September (Q2FY24) due to lower merchandise trade deficit and growth in services exports.

The CAD was \$9.2 billion, or 1.1 per cent of GDP, in Q1, and \$30.9 billion, or 3.8 per cent of GDP, in Q2FY23. The CAD for the April-September of FY23 was 2.9 per cent of GDP.

The merchandise trade deficit narrowed to \$61 billion from \$78.3 billion in Q2FY23, according to Reserve Bank of India (RBI) data released on Tuesday.

Aditi Nayar, chief economist and head of research and outreach at ICRA, said India's CAD for Q2 was well below the expectation of around \$13 billion, primarily led by a smaller-than-anticipated merchandise trade deficit.

The net outgo from the primary income account, mainly reflecting payments of investment income, increased to \$12.2 billion in the September 2023 quarter, from

\$11.8 billion a year ago.

Private transfer receipts, mainly representing remittances from Indians employed overseas, amounted to \$28.1 billion, an increase of 2.6 per cent year-on-year (Y-o-Y).

Regarding the balance of payments (BoP) position in Q2FY24, there was an accretion of \$2.5 billion to reserves, as opposed to a depletion of \$30.4 billion in the year-ago period.

Regarding the BoP position in April-September 2023 (H1FY24), there was an accretion of \$27 billion, compared to a depletion of \$25.8 billion in the year-ago period, the RBI noted.

Services exports grew by 4.2 per cent Y-o-Y on the back of rising exports of software, business and travel services, the RBI said. Net invisible receipts were higher in H1FY24, owing to higher net receipts of services.

"Following the expansion in the merchandise trade deficit in October, we expect the CAD for the ongoing quarter to widen significantly, to around \$18-20 billion. Nevertheless, we now foresee the FY2024 CAD in a range of 1.5-1.6 per cent of GDP, unless commodity prices experience a sharp rebound," Nayar said.