Current account swings to surplus after three quarters

Posts excess of $13.5 billion, or 1.3% of GDP, during the fourth quarter of FY25

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India's current account balance posted a surplus of $13.5 billion, or 1.3 per cent of gross domestic product (GDP), during the fourth quarter of 2024-25 (Q4FY25). This surplus comes after a gap of three quarters of deficit, reflecting the contribution of a surge in services exports, latest data released by the Reserve Bank of India (RBI) showed.

There was a current account surplus of $4.6 billion (0.5 per cent of GDP) during Q4FY24. Current Account Deficit (CAD) was $11.3 billion (1.1 per cent GDP) during the quarter ended December 2024 (Q3FY25).

For FY25, CAD moderated to $23.3 billion (0.6 per cent of GDP) from $26 billion (0.7 per cent of GDP) in FY24. This was on the back of a higher net invisible receipts.

Icra Chief Economist Aditi Nayar said while the current account balance expectedly reported a seasonal surplus in Q4FY25, the size of the same overshot expectations amid a surprise dip in primary income outflows in the quarter. This led to the unexpected narrowing in the CAD to 0.6 per cent of GDP in FY25 from 0.7 per cent in FY24.

Elaborating on the quarterly trends, the RBI in a statement said the net services receipts at $53.3 billion were higher in Q4FY25 than its level a year ago ($42.7 billion). This contributed to the surplus in the current account balance during Q4. Merchandise trade deficit at $59.5 billion in Q4FY25 was higher than $52.0 billion in Q4FY24. However, it moderated from $79.3 billion in the immediate preceding quarter (Q3FY25).

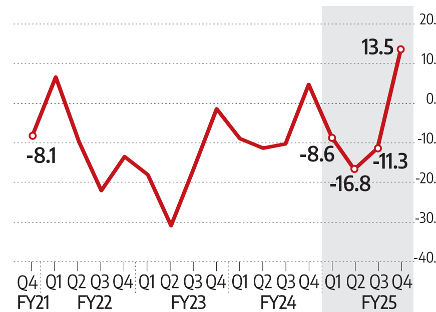
Net outgo on the primary income account, mainly reflecting payments of investment income, moderated to $11.9 billion in Q4FY25 from $14.8 billion a year ago. Private transfer receipts, mainly representing remittances by Indians employed overseas, rose to $33.9 billion from $31.3 billion a year ago, the RBI added.

As for the status of the foreign exchange kitty, the RBI said the accretion to the foreign exchange reserves was $8.8 billion in Q4FY25, much lower than $30.8 billion in Q4FY24.

As for FY25, there was depletion of $5.0 billion against accretion of $63.7 billion in FY24, the RBI data showed.

CAD profile

India's current account balance ($ bn)



Source: RBI, Bloomberg

On the future trajectory of the current account, Icra said it expects the current account to revert to a deficit in the ongoing quarter ending June 2025 (Q1FY26), printing at around 1.3 per cent of GDP. The reverting to deficit is expected amid expectations of a widening in the merchandise trade deficit, and moderation in the services trade surplus in Q1FY26 vis-à-vis Q4FY25. India's CAD to average 1 per cent of GDP in FY26, which is eminently manageable in spite of the prevailing global uncertainties. This level assumes an average crude oil price of around $70/barrel for the financial year, the rating agency added.