

CAD moderates marginally to 1.2% of GDP in July-Sep qtr

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Mumbai, 27 December

India's current account deficit (CAD) marginally narrowed to \$11.2 billion, or 1.2 per cent of GDP, during the July-September quarter of financial year 2025 (Q2FY25) from \$11.3 billion, or 1.3 per cent of GDP, a year ago, amid a rise in service exports.

Sequentially, the CAD widened from \$9.7 billion in the April-June quarter (Q1), or 1.1 per cent GDP, latest data released by the Reserve Bank of India (RBI) showed.

"India's current account deficit came in well below our expectation for Q2FY25, providing some solace in light of the sharp weakening in the INR seen recently," said Aditi Nayar, chief economist, Icra.

"Looking ahead, the initial estimate of a record-high trade deficit in November

BALANCE SHEET

Current account profile
(\$ billion)

	Q2FY24	Q2FY25
Current account balance	-11.3	-11.2
Current account balance as % of GDP	-1.3	-1.2
Goods	-64.5	-75.3
Services	39.9	44.5
Primary income	-11.6	-9.5
Secondary income	24.9	29.1

Source: RBI

2024 could well bloat the current account deficit to 2.5-2.7 per cent of GDP in the current quarter. For FY2025 as a whole, the current account deficit may print around 1.1-1.2 per cent of GDP," she said.

According to economists at Barclays, with the November trade deficit widening sharply to \$37.8 bil-

lion, on record-high gold imports, CAD is expected to worsen further in Q3FY25. "We continue to see FY25 CAD at 1.4 per cent of GDP (\$55 billion)," they said.

Merchandise trade deficit increased to \$75.3 billion in the second quarter of 2024-25 from \$ 64.5 billion during the same period of last year.

"Net services receipts increased to \$44.5 billion in Q2:2024-25 from US\$39.9 billion a year ago. Services exports have risen on a Y-o-Y basis across major categories such as computer services, business services, travel services and transportation services," the RBI said.

Net outgo on the primary income account, primarily reflecting payments of investment income, decreased to \$9.5 billion in Q2 of 2024-25 from \$11.6 billion during the same period of last year.