

India's CAD decreased to 0.9 % of GDP in Q2 2019-20 from 2% in Q1 2019-20

India's Current Account Deficit (CAD) stands at US\$ 6.3 billion (0.9 per cent of GDP) in Q2 of 2019-20 narrowed from US\$ 19.0 billion (2.9 per cent of GDP) in Q2 of 2018-19 and US\$ 14.2 billion (2.0 per cent of GDP) in the preceding quarter. The contraction in the CAD was primarily on account of a lower trade deficit at US\$ 38.1 billion as compared with US\$ 50.0 billion a year ago.

Key Features of India's Balance of Payments (BoP) in Q2 of 2019-20

- Net services receipts increased by 0.9 per cent on a y-o-y basis, on the back of a rise in net earnings from computer, travel and financial services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, rose to US\$ 21.9 billion, increasing by 5.2 per cent from their level a year ago.
- In the financial account, net foreign direct investment was US\$ 7.4 billion, almost same level as in Q2 of 2018-19.
- Foreign portfolio investment recorded net inflow of US\$ 2.5 billion – as against an outflow of US\$ 1.6 billion in Q2 of 2018-19 – on account of net purchases in the debt market.
- Net inflow on account of external commercial borrowings to India was US\$ 3.2 billion as compared with US\$ 2.0 billion in Q2 of 2018-19.
- There was an accretion of US\$ 5.1 billion to the foreign exchange reserves (on BoP basis) as against a depletion of US\$ 1.9 billion in Q2 of 2018-19.

BoP during April-September 2019-20 (H1 of 2019-20)

- The CAD narrowed to 1.5 per cent of GDP in H1 of 2019-20 from 2.6 per cent in H1 of 2018-19 on the back of a reduction in the trade deficit which shrank to US\$ 84.3 billion in H1 of 2019-20 from US\$ 95.8 billion in H1 of 2018-19.
- Net invisible receipts were higher in H1 of 2019-20 mainly due to increase in net services earnings and private transfer receipts.
- Net FDI inflows at US\$ 21.2 billion in H1 of 2019-20 were higher than US\$ 17.0 billion in H1 of 2018-19.
- Portfolio investment recorded a net inflow of US\$ 7.3 billion in H1 of 2019-20 as against an outflow of US\$ 9.8 billion a year ago.
- In H1 of 2019-20, there was an accretion of US\$ 19.1 billion of the foreign exchange reserves (on a BoP basis).

Major Items of India's Balance of Payments (BoP)

(US\$ Billion)												
	July-September 2019 P			July-September 2018			April-September 2019-20 P			April-September 2017-18		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	161.2	167.8	-6.3	160.0	179.1	-19.0	321.9	342.3	-20.4	315.8	350.6	-34.8
1. Goods	80.0	118.1	-38.1	83.4	133.4	-50.0	162.7	247.0	-84.3	166.8	262.6	-95.8
<i>Of which:</i>												
POL	10.2	29.6	-19.3	11.8	35.3	-23.5	21.3	64.9	-43.6	23.6	70.1	-46.5
2. Services	52.4	31.9	20.4	50.1	29.8	20.3	104.6	64.1	40.5	98.3	59.4	38.9
3. Primary Income	6.8	15.5	-8.6	5.6	14.2	-8.6	12.6	27.4	-14.7	11.0	25.4	-14.4

4. Secondary Income	22.0	2.0	20.0	20.9	1.5	19.4	41.9	3.9	38.0	39.7	3.3	36.4
B. Capital Account and Financial Account	140.3	133.4	6.9	131.4	113.0	18.5	278.3	257.5	20.8	274.0	239.4	34.6
<i>Of which:</i>												
Change in Reserves [(Increase (-)/Decrease (+)]	0.0	5.1	-5.1	1.9	0.0	1.9	0.0	19.1	-19.1	13.2	0.0	13.2
C. Errors & Omissions (-) (A+B)		0.7	-0.7	0.6		0.6		0.3	-0.3	0.3		0.3

Source: RBI P: Preliminary. Note: Total of subcomponents may not tally with aggregate due to rounding off.

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