

## India's CAD narrows to 0.2 % of GDP in Q3 2019-20 from 0.9% of GDP in Q2 2019-20

India's current account deficit (CAD) narrowed sharply to US\$ 1.4 billion (0.2 per cent of GDP) in Q3 of 2019-20 from US\$ 17.7 billion (2.7 per cent of GDP) in Q3 of 2018-19 and US\$ 6.5 billion (0.9 per cent of GDP) in the preceding quarter, i.e., Q2 of 2019-20. The contraction in the CAD was primarily on account of a lower trade deficit at US\$ 34.6 billion and a rise in net services receipts at US\$ 21.9 billion as compared with the corresponding period of last year.

### Key Features of India's Balance of Payments (BoP) in Q3 of 2019-20

- Net services receipts increased 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, increased to US\$ 20.6 billion, up by 9.0 per cent from their level a year ago.
- In the financial account, net foreign direct investment at US\$ 10.0 billion was higher than US\$ 7.3 billion in Q3 of 2018-19.
- Foreign portfolio investment recorded net inflow of US\$ 7.8 billion – as against an outflow of US\$ 2.1 billion in Q3 of 2018-19 – on account of net purchases in both the debt and equity market.
- Net inflow on account of external commercial borrowings to India was US\$ 3.2 billion as compared with US\$ 2.0 billion in Q3 of 2018-19.
- There was an accretion of US\$ 21.6 billion to the foreign exchange reserves (on BoP basis) as against a depletion of US\$ 4.3 billion in Q3 of 2018-19.

### **BoP during April- December 2019-20**

- The CAD narrowed to 1.0 per cent of GDP in April-December of 2019-20 from 2.6 per cent in April-December of 2018-19 on the back of a reduction in the trade deficit which shrank to US\$ 118.9 billion in April-December 2019-20 from US\$ 145.1 billion in April-December of 2018-19.
- Net invisible receipts were higher in April-December of 2019-20, mainly due to increase in net services earnings and private transfer receipts.
- Net FDI inflows at US\$ 32.1 billion in April-December of 2019-20 were higher than US\$ 24.3 billion in April-December of 2018-19.
- Portfolio investment recorded a net inflow of US\$ 15.1 billion in April-December of 2019-20 as against an outflow of US\$ 11.9 billion a year ago.
- In April-December 2019-20, there was an accretion of US\$ 40.7 billion of the foreign exchange reserves (on a BoP basis).

#### **Major Items of India's Balance of Payments (BoP) US\$ Billion**

	October –December 2019 P			October-December 2018			April- December 2019-2020 P			April – December 2018-19		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	162.6	164.0	-1.4	162.8	180.5	-17.7	484.5	506.8	-22.3	478.6	531.1	-52.6
1. Goods	81.2	115.9	-34.6	83.1	132.4	-49.3	244.0	362.9	-118.9	249.9	394.9	-145.1
<i>Of which:</i>												
POL	11.5	31.4	-19.9	13.0	38.4	-25.4	32.8	96.5	-63.7	36.6	108.5	-71.9
2. Services	55.2	33.3	21.9	55.1	33.4	21.7	159.7	97.3	62.4	153.4	92.8	60.6
3. Primary Income	5.6	12.9	-7.4	5.7	13.2	-7.6	18.2	40.7	-22.5	16.6	38.6	-21.9

4. Secondary Income	20.6	1.9	18.7	19.0	1.5	17.4	62.6	5.9	56.7	58.7	4.8	53.8
B. Capital Account and Financial Account	151.7	150.9	0.7	127.0	109.0	18.1	430.5	408.4	22.1	401.0	348.4	52.6
<i>Of which:</i>												
Change in Reserves [(Increase (-)/Decrease (+)]	0.0	21.6	-21.6	4.3	0.0	4.3	0.0	40.7	-40.7	17.5	0.0	17.5
C. Errors & Omissions (-) (A+B)	0.7		0.7		0.3	-0.3	0.2		0.2		0.1	-0.1

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

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