

## **India's Q2 current account deficit narrows to \$8.2 bn**

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India's current account deficit (CAD) narrowed to \$8.2 billion (1.6 per cent of gross domestic product) in the September 2015 quarter from \$10.9 billion (2.2 per cent of GDP) in the year-ago quarter.

However, CAD was up on a sequential basis from \$6.2 billion (1.2 per cent of GDP) in the June 2015 quarter.

The contraction in CAD in the September quarter was primarily on account of lower trade deficit (\$37.4 billion) compared to \$39.7 billion in the same quarter of 2014-15, the Reserve Bank of India said in statement on Tuesday.

For the April-September 2015 period, CAD declined to \$14.3 billion (1.4 per cent of GDP) from 18.4 billion (1.8 per cent of GDP) during the same period in FY15. The decline was due to contraction in the trade deficit and a marginal improvement in net invisibles. Balance of Payments (BoP) was in the negative territory as there was a small drawdown of \$900 million from reserves in the September quarter. In contrast, there was accretion of \$6.9 billion in the July-September 2014 period.

For the first half of 2015-16, BoP remained in the positive territory as there was an accretion of \$10.6 billion to foreign exchange reserves compared with \$18.1 billion in the year-ago period. Madan Sabnavis, chief economist at CARE Ratings, said the external situation looks satisfactory from the point of view of trade, invisible flows and foreign direct investment (FDI). Investments by foreign portfolio investors (FPIs) would continue to be stressed, while the external commercial borrowing route might continue to be less popular given the reduction in interest rate differential as well as forex rate movements. CAD for FY16 is expected to remain at 1.5 per cent of GDP, CARE said in statement.

Referring to trade in services in the second quarter of FY16, RBI said net services receipts moderated marginally on a year-on-year basis, largely due to a fall in export receipts in transport, insurance and pension services. However, there has been some improvement over the preceding quarter. The private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to \$16.5 billion, a marginal decline from their level in the preceding as well as the corresponding quarter.

CAD dips to \$8.2 bn in Sept quarter after a sharp pick-up in the first quarter, net FDI moderated in the second quarter of 2015-16. There was net outflow of portfolio investment to the tune of \$6.5 billion against net inflow of \$9.8 billion in the second quarter of last year. The outflow was more evident in the equity segment.

Non-resident Indian deposits, however, increased by four% in the second quarter of 2015-16, compared to the year-ago period.