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India's CAD increased to 2% of GDP in Q3 2017-18 from 1.1% of GDP in Q2 2017-18

India's current account deficit (CAD) stands at US$ 13.5 billion (2.0 per cent of GDP) in Q3 of 2017-18 which increased from US$ 8.0 billion (1.4 per cent of GDP) in Q3 of 2016 -17 and US$ 7.2 billion (1.1 per cent of GDP) in the preceding quarter. The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit (US$ 44.1 billion) brought about by a larger increase in merchandise imports relative to exports.

Key Features of India's BoP in Q3 of 2017-18

- India's current account deficit (CAD) at US$ 13.5 billion (2.0 per cent of GDP) in Q3 of 2017-18 increased from US$ 8.0 billion (1.4 per cent of GDP) in Q3 of 2016 -17 and US$ 7.2 billion (1.1 per cent of GDP) in the preceding quarter.
- The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit (US$ 44.1 billion) brought about by a larger increase in merchandise imports relative to exports.
- Net services receipts increased by 17.8 per cent on a y-o-y basis mainly on the back of a rise in net earnings from software services and travel receipts.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US$ 17.6 billion, increasing by 16.0 per cent from their level a year ago.
- In the financial account, net foreign direct investment at US$ 4.3 billion in Q3 of 2017-18 was lower than US$ 9.7 billion in Q3 of 2016-17.
- Portfolio investment recorded net inflow of US$ 5.3 billion in Q3 of 2017-18 - as against an outflow of US$ 11.3 billion in Q3 last year - on account of net purchases in both the debt and equity markets.
- Net receipts on account of non-resident deposits amounted to US$ 3.1 billion in Q3 of 2017-18 as against net repayments of US$ 18.5 billion a year ago.
- In Q3 of 2017-18, there was an accretion of US$ 9.4 billion to the foreign exchange reserves (on BoP basis) as against

depletion of US$ 1.2 billion in Q3 of 2016-17.

BoP during April-December 2017

- On a cumulative basis, the CAD increased to 1.9 per cent of GDP in April-December 2017 from 0.7 per cent in the corresponding period of 2016-17 on the back of a widening of the trade deficit.
- India's trade deficit increased to US$ 118.9 billion in April-December 2017 from US$ 82.7 billion in April-December 2016.
- Net invisible receipts were higher in April-December 2017 mainly due to increase in net services earnings and private transfer receipts.
- Net FDI inflows during April-December 2017 moderated to US$ 23.7 billion from US$ 30.6 billion during the corresponding period of the previous year.
- Portfolio investment recorded a net inflow of US$ 19.8 billion during April-December 2017 as against a net outflow of US$ 3.2 billion a year ago.
- In April-December 2017, there was an accretion of US$ 30.3 billion to the foreign exchange reserves.

Major Items of India's Balance of Payments

(US$ Billion)

	October-December 2017 P			October-December 2016			April-December 2017-18 P			April-December 2016-17		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	150.1	163.6	-13.5	130.2	138.1	-8.0	435.6	471.3	-35.6	382.8	394.6	-11.8
1. Goods	77.5	121.6	-44.1	68.8	102.0	-33.3	226.8	345.6	-118.9	202.8	285.5	-82.7
Of which:												
POL	9.9	29.2	-19.3	8.1	21.8	-13.7	26.5	75.8	-49.2	22.5	61.3	-38.8
2. Services	50.0	29.0	20.9	42.1	24.4	17.8	143.3	85.7	57.6	122.4	72.6	49.8
3. Primary Income	4.9	11.3	-6.4	4.0	10.4	-6.4	14.3	34.9	-20.6	11.8	32.5	-20.7
4. Secondary Income	17.7	1.6	16.1	15.3	1.4	13.9	51.3	5.1	46.3	45.8	4.0	41.8
B. Capital Account and Financial Account	168.8	156.2	12.6	138.7	131.4	7.3	470.9	437.0	33.9	406.8	395.0	11.8
Of which:												
Change in Reserve (Increase (-	0.0	9.4	-9.4	1.2	0.0	1.2	0.0	30.3	-30.3	1.2	15.5	-14.2

)/Decrease (+))												
C. Errors & Omissions (-) (A+B)	0.8		0.8	0.7		0.7	1.8		1.8	0.0	0.01	-0.01

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

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Warm regards,

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