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Current account balance posts surplus of 0.6% of GDP in Jan-Mar 2024: RBI

For FY24, the net invisibles receipt was higher during 2023-24 than a year ago, primarily on account of services and transfers, RBI said

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ILLUSTRATION: AJAY MOHANTY

India's current account balance posted a surplus of $ 5.7 billion or 0.6 per cent of gross domestic product (GDP) during the fourth quarter ended March 2024 (Q4FY24).

This comes after a gap of 10 quarters on the back of a surge in services exports, latest data released by the Reserve Bank of India (RBI) showed.

There was a current account deficit (CAD) of $1.3 billion (0.2 per cent of GDP) during the fourth quarter of the previous financial year.

CAD was $8.7 billion (1 per cent GDP) during the quarter ended December 2023 (Q3FY24).

For FY24, the CAD moderated to $23.2 billion (0.7 per cent of GDP) from $67 billion (2 per cent of GDP) in FY23. This was on the back of a lower merchandise trade deficit.

Aditi Nayar, chief economist, ICRA, said India's CAD more than halved to a seven-year low of $23.2 billion in FY24 from $67 billion in FY23. It was aided by a narrower merchandise trade deficit and a robust expansion in the services trade surplus.

"The turnaround to a surplus in Q4 FY24 from a deficit in the year-ago period was primarily driven by a narrowing in the merchandise trade deficit print to a 10-quarter low of $50.9 billion in Q4 FY24 from $69.9 billion in Q3 FY24," Nayar said.

Elaborating on the quarterly trends, RBI said the net services receipt at $42.7 billion was higher in Q4 FY24 than its level a year ago ($39.1 billion). This contributed to the surplus in the current account balance during Q4.

Net outgo on the primary income account, mainly reflecting payments of investment income, increased to $14.8 billion from $12.6 billion a year ago. Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to $32 billion, an increase of 11.9 per cent over the level a year ago, RBI added.

As for status of the foreign exchange kitty, RBI said the accretion to the foreign exchange reserves, excluding valuation effect, was sixfold to $30.8 billion in Q4Fy24. It was $5.6 billion in Q4FY23.

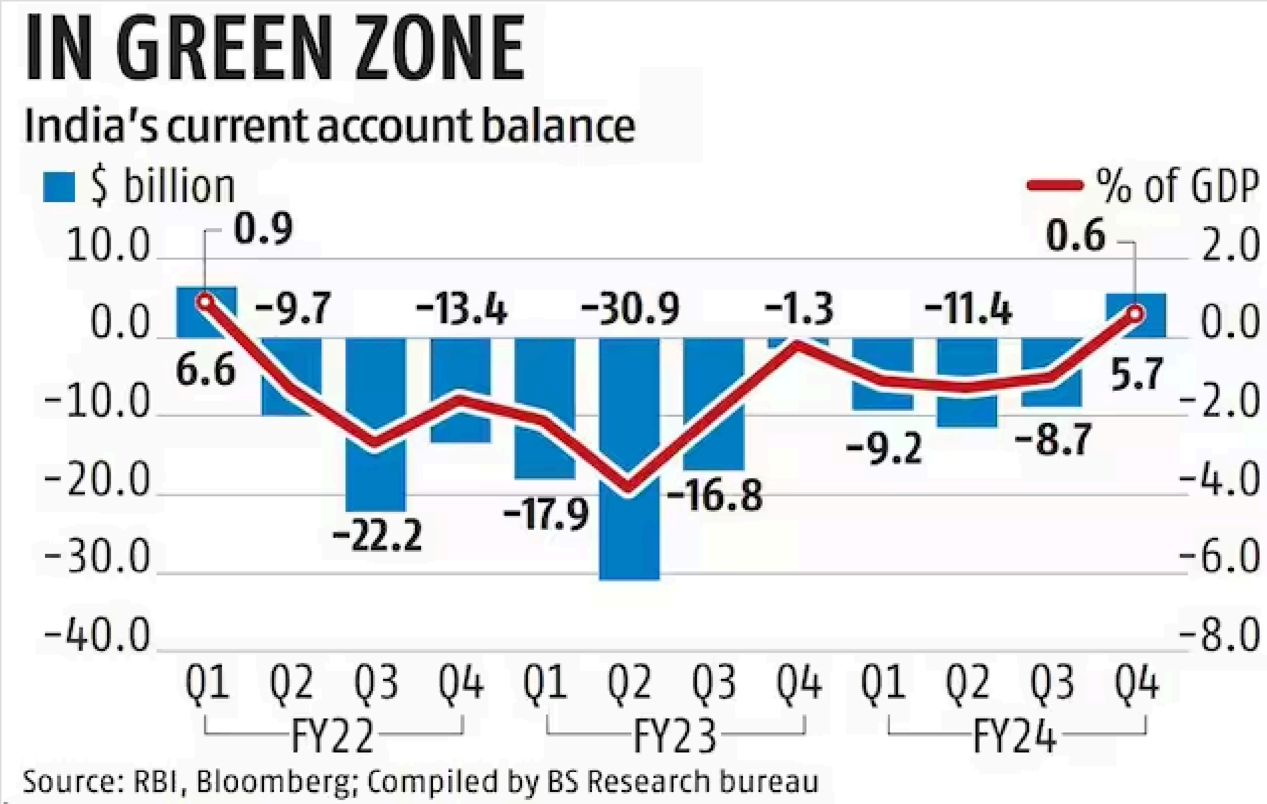
For FY24, the net invisible receipt was higher than a year ago, primarily on account of services and transfers, RBI added.

On the forex front, there was an accretion of $63.7 billion in FY24 against decrease of $ 9.1 billion in FY23.

Commenting that CAD is expected to rise slightly in FY25, Nayar said the deficit will remain eminently manageable at 1-1.2 per cent of GDP. This is owing to a widening in the merchandise trade deficit this financial year, on the back of domestic demand and higher commodity prices.

"The CAD, in FY25, would be comfortably financed, particularly given the expectations of large FPI-debt inflows on account of the bond index inclusion starting end-June 2024," she said.

Madan Sabnavis, chief economist, Bank of Baroda, said the CAD should be manageable at 1-1.5 per cent of GDP in FY25. The steady capital inflows should ensure that the balance of payments, which reflects the fundamentals, remains comfortable, he added.



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