Tue, 25 Jun-24; Financial Express - Delhi; Size : 196 sq.cm.; Circulation:85000;
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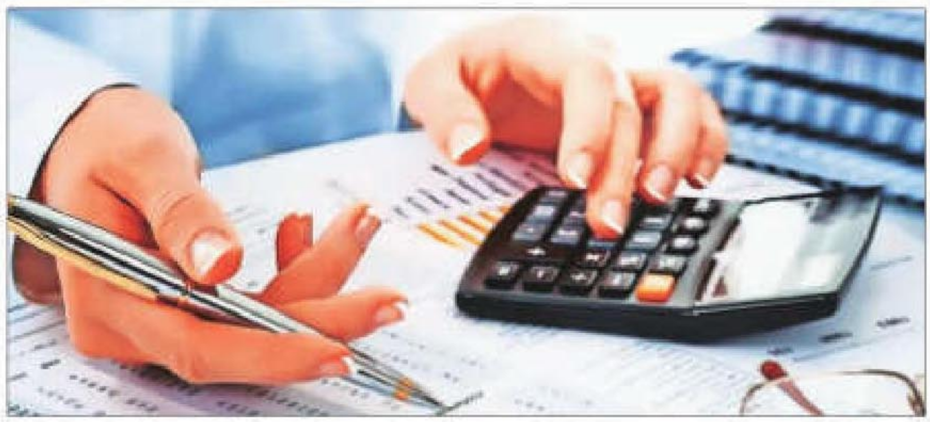
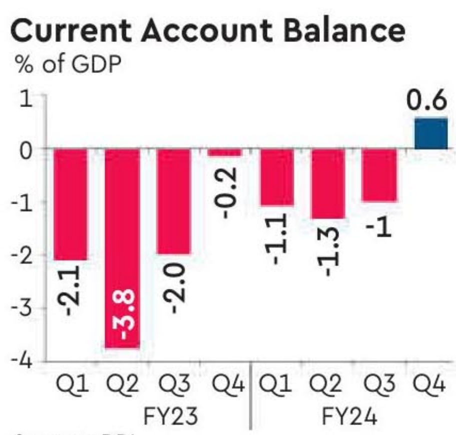
FOREX ACCRETION HIGHEST SINCE Q2FY22

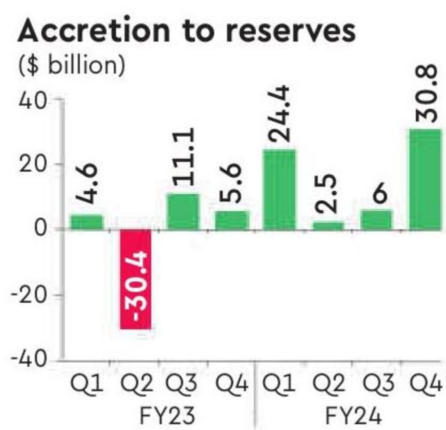
Q4 current account surplus at $5.7 billion

Analysts see CAD of 1-1.5% in FY25 against 0.7% in FY24



HEALTH OF THE ECONOMY





Source: RBI

PRIYANSH VERMA & KISHOR KADAM
New Delhi/Mumbai, June 24

INDIA'S CURRENT ACCOUNT balance recorded a surplus of $5.7 billion, or 0.6% of the gross domestic product (GDP), in the fourth quarter of FY24 as against deficits of $8.7 billion (1%) in the previous quarter and $1.3 billion (0.2%) in the year-ago period, the Reserve Bank of India (RBI) said on Monday. Relatively lower goods trade deficit and robust net services trade boosted the current account in the quarter under review.

The last time the account saw a surplus was in the first quarter of FY22 (0.9% of GDP).

On a balance of payment basis, Q4FY24 saw net accretion of foreign exchange reserves of $30.8 billion, compared with accretion of $6 billion in Q3FY24 and $5.6 billion in Q4FY23. The addition to reserves in Q4 of last fiscal was the highest since Q2FY22. The merchandise trade deficit at $50.9 billion in Q4FY24 was lower than $ 52.6 billion a year ago.

However, in the current quarter (Q1FY25), the current account is likely to see a modest deficit, given that the merchandise trade deficit was relatively higher in April ($19.1 billion) and May ($23.8 billion). Also, capital flows have moderated in the current quarter — foreign portfolio investors (FPIs) were net sellers of $1.84 billion of equity and debt between April 1 and June 21.

The turnaround to a surplus in Q4FY24 from a deficit in the year-ago period was primarily driven by narrowing of the merchandise trade deficit to a ten-quarter low of $50.9 billion. The the merchandise trade deficit was $69.9 billion in Q3FY24.

Rating agency Icra expects the CAD to rise slightly in FY25 but remain at a manageable 1-1.2% of the GDP, owing to a widening in the merchandise trade deficit on the back of domestic demand and higher commodity prices. "In particular, we have assumed an average price of the Indian basket of crude oil of $85/barrel. A CAD of 1-1.2% of GDP in FY2025 would be comfortably financed, particularly given the expectations of large FPI-debt inflows on account of the bond index inclusion starting end-June 2024," said Aditi Nayar, chief economist, Icra.

Services exports grew by 4.1% year-on-year in Q4FY24 on the back of rising exports of software, travel and business services. Net services receipt at $42.7 billion was higher than its level a year ago ($39.1 billion).

India's CAD moderated to $23.2 billion (0.7% of GDP) during 2023-24 from $ 67.0 billion (2%) during the previous year on the back of a lower merchandise trade deficit. Net invisibles receipt was higher during 2023-24 than a year ago, primarily on account of services and transfers.