

Macro Insights

23 June 2022

Highlights – Current Account Deficit (Q4FY'22)

- India's Current Account Deficit for Q4FY'22 narrowed sequentially to 1.5 per cent of GDP.
- For FY'22, recorded a deficit of 1.2 per cent of GDP in 2021-22 as against a surplus of 0.9 per cent in 2020-21 as the trade deficit widened to US\$ 189.5 billion from US\$ 102.2 billion a year ago.
- The narrowing of Deficit is mainly on account rise in remittances and surge in software exports.
- It has been further supported by lowering of outflow from dividend and falling interest expenses.
- In the financial account, net foreign direct investment (FDI) at US\$ 13.8 billion was higher than US\$ 2.7 billion in Q4:2020-21.
- Net foreign portfolio investment (FPI) recorded an outflow of US\$ 15.2 billion – mainly from the equity market.
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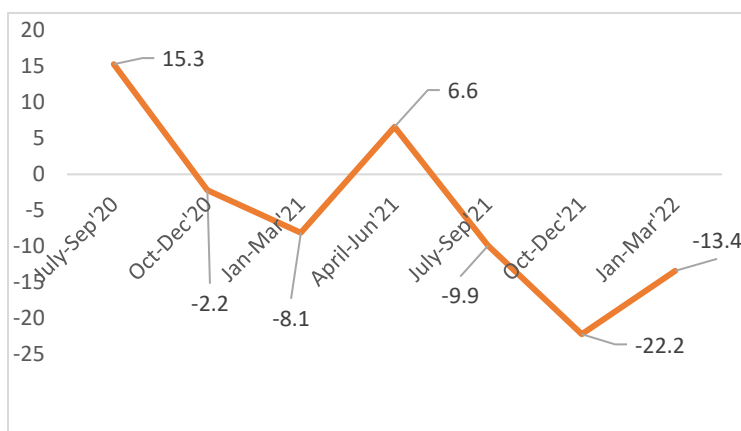


The net foreign direct investment (FDI) at US\$ 13.8 billion was higher than US\$ 2.7 billion in Q4:2020-21



Foreign portfolio investors continue to pull out money from the Indian markets exerting pressure on Rupee value and oil prices are anticipated to remain elevated which will further impact on CAD.

Quarterly Movement of Current Account Deficit (USD \$)



Way Forward

- ✓ It is expected that the CAD will widen as the oil prices are anticipated to remain elevated.
- ✓ Further, there may be impact on the prospective exports in view of slowdown in US as the US is the biggest export destination for Indian goods and services.
- ✓ The another factor which may widen the CAD going forward is higher fed rates as the foreign portfolio investors (FPI) continue to pull out money from the Indian markets exerting adverse pressure on Rupee value

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