



ECONOMY

CAD widens on higher trade deficit

CAD worries

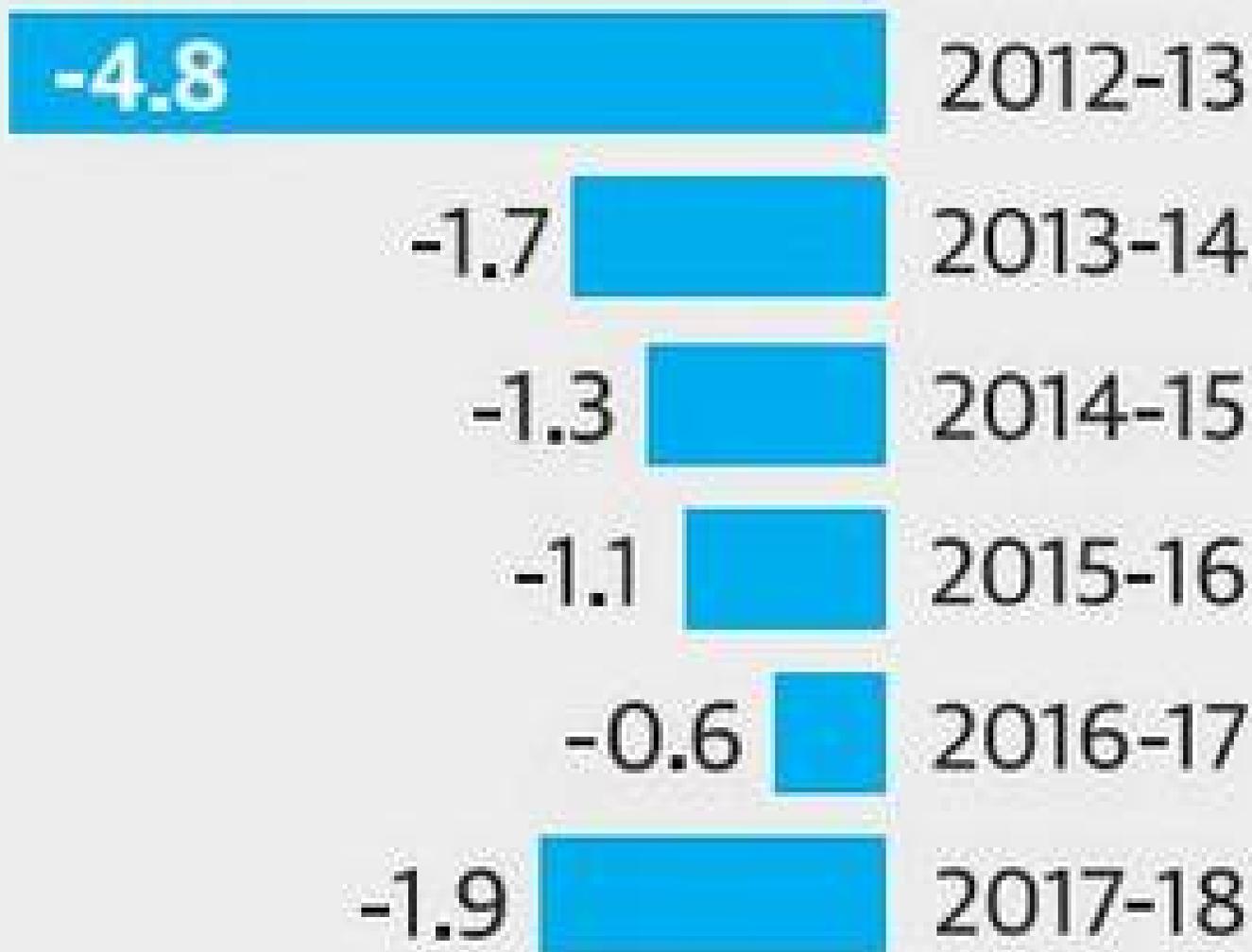
The deficit widened in Q1 FY18 due to a higher trade deficit at \$45.7 bn vs \$41.9 bn a year ago

(all in % of GDP)

Quarter ended



Fiscal year



Special Correspondent

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India's current account deficit (CAD) in the first quarter of 2018-19 increased by \$0.8 billion but as a percentage of India's GDP declined marginally to 2.4% of the GDP as compared with 2.5% of the GDP in the first quarter of 2017-18 as per data released by the Reserve Bank of India (RBI) on Friday.

"The CAD stood at \$15.8 billion (2.4% of GDP) in Q1 of 2018-19 as compared with \$15 billion (2.5% of GDP) in Q1 of 2017-18," the RBI said.

"The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit at \$45.7 billion as compared with \$41.9 billion a year ago," the central bank said in

a statement.

“There could be temporary blips but the fundamentals of the economy are very strong,” said Rajesh Mokashi, managing director and CEO, CARE Ratings Ltd. “There is no doubt that CAD should be viewed in several quarters. In one quarter it may increase due to some temporary distractions. Oil prices are high which is an external factor. We have huge forex reserves to deal with such issues. We should not worry, the country will find its way out,” he added.

As per RBI data, net services receipts increased 2.1% on a y-o-y basis mainly on the back of a rise in net earnings from software and financial services.

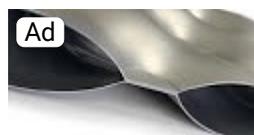
Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to \$18.8 billion, increasing by 16.9% from their level a year ago, it said.

In the financial account, net foreign direct investment at \$9.7 billion in Q1 of 2018-19 was higher than \$7.1 billion in Q1 of 2017-18.

Portfolio investment recorded net outflow of \$8.1 billion in Q1 of 2018-19 as compared with an inflow of \$12.5 billion in Q1 last year on account of net sales in both the debt and equity markets.

Net receipts on account of non-resident deposits amounted to \$3.5 billion in Q1 of 2018-19 as compared with \$1.2 billion a year ago.

In Q1 of 2018-19, there was a depletion of \$11.3 billion of foreign exchange reserves (on BoP basis) against an accretion of \$11.4 billion in Q1 of 2017-18, the RBI said.



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