



Factors Responsible for Widening of Current Account Deficit

Posted On: 08 AUG 2017 4:36PM by PIB Delhi

India's current account deficit (CAD) at US\$ 3.4 billion (0.6 per cent of GDP) in Q4 of 2016-17 was higher than US\$ 0.3 billion (0.1 per cent of GDP) in Q4 of 2015-16 but narrowed from US\$ 8.0 billion (1.4 per cent of GDP) in the preceding quarter. For 2016-17 full year, the current account deficit (CAD) narrowed down to 0.7 per cent of GDP from 1.1 per cent of GDP in 2015-16. Quarterly data on India's CAD are given in Table 1.

Table 1: India's Current Account Balance

| Quarters | CAD (US\$ billion) | CAD as Per cent of GDP |
|-------------------------------------------------------|--------------------|------------------------|
| 2015-16 Q1 | -6.1 | -1.2 |
| 2015-16 Q2 | -8.5 | -1.7 |
| 2015-16 Q3 | -7.1 | -1.4 |
| 2015-16 Q4 | -0.3 | -0.1 |
| 2016-17 Q1 | -0.4 | -0.1 |
| 2016-17 Q2 | -3.4 | -0.6 |
| 2016-17 Q3 | -8.0 | -1.4 |
| 2016-17 Q4 | -3.4 | -0.6 |
| Source: India's Balance of Payments Statistics | | |

The widening of the CAD in Q4 of 2016-17 on a year-on-year (y-o-y) basis was on account of a higher trade deficit (US\$ 29.7 billion) due to a larger increase in merchandise imports relative to exports. High increase in imports of Petroleum, Oil & Lubricants (POL) and gold & silver imports led to the rise in imports in Q4 of 2016-17. Despite the widening in Q4 of 2016-17, the CAD is low and within manageable limits. The Government and the RBI closely monitor the emerging external economic situation including CAD and calibrate policies on an on-going basis.

This was stated by Shri Arjun Ram Meghwal, Minister of State for Finance in written reply to a question in Rajya Sabha today.

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(Release ID: 1498823) Visitor Counter : 186

