Current Account Deficit (CAD) shrinks to 0.2% of GDP

CAD which depicts the overall health of a nation's external economic phase has reported a fall of 0.2% of GDP during Q4 of 2022-2023. The RBI data revealed that CAD shrunk by an additional $1.3 billion largely due to a negative balance of trade falling from $70 billion to $53 billion on account of high exports from the services sector and high remittances obtained. Indians working abroad sent home $29 billion while rectifications made in product prices aided in the reduction of CAD. Net FDI inflows (in Q4) were close to $7 billion while net FPI outflows remained at $1.9 billion. An increase in forex reserves by $5.9 billion helped to improve the economic stature. The connoisseurs of various financial fields have projected that the current CAD record is expected to remain close to 2% of GDP for FY2023 which is similar to the FY2022 levels. This is by far better than the earlier estimates of CAD lying between 3.25% – 3.4% of GDP. In 2021, CAD stood at 1.3% of GDP while in 2022 this changed to 2% of GDP. The negative balance of trade was $190 billion (in 2021) and further spiked to $270 billion (in 2022). Therefore, in order for the Indian economy to remain at its finest in 2024, then they must compulsorily ensure that CAD takes up not more than 1.6% of its GDP.

GLOSSARY

Q4 – Quarter 4
FY – Financial Year
FDI – Foreign Direct Investment
FPI – Foreign Portfolio Investor

ECONOMICSTAAN
— Economics Aboard —