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Outlook on Current Account Deficit

Remittances contained current account deficit at 0.2% of GDP in Q1 FY2026; steep US tariffs may lead to CAD surpassing 1% mark in FY2026

SEPTEMBER 2025

Highlights

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India's current account reverted to a narrower-than-expected deficit of $2.4 billion in Q1 FY2026 (-0.2% of GDP).

ICRA expects the CAD to widen sharply to $13-15 billion in Q2 FY2026 (-1.5% of GDP), with a larger MTD offsetting the increase in services trade surplus.

India's CAD may surpass ~1.0% of GDP, if steep US tariffs continue in rest of the fiscal.

- India's current account reverted to a deficit of $2.4 billion in Q1 FY2026 (-0.2% of GDP), sharply lower than the deficit of $8.6 billion (-0.9% of GDP) seen in Q1 FY2025. This also considerably trailed ICRA's forecast of 0.7% of GDP, primarily driven by larger-than-anticipated remittances.
- The Q1 FY2026 current account deficit (CAD) contrasted with the surplus of $13.5 billion in Q4 FY2025 (+1.3% of GDP), owing to the seasonal widening in the merchandise trade deficit (MTD) as well as lower services trade surplus between these quarters.
- Earnings from invisibles rose by a sharp 19.9% to $66.1 billion in Q1 FY2026 from $55.2 billion in Q1 FY2025. This outweighed the YoY widening in the merchandise trade deficit (to $68.5 billion from $63.8 billion), leading to a lower current account deficit in that quarter, compared to Q1 FY2025.
- India saw net financial inflows of $8.1 billion in Q1 FY2026, after witnessing outflows in H2 FY2025. However, this was more than offset by the turnaround to a CAD in Q1 FY2026, leading to a lower accretion of reserve assets in Q1 FY2026 ($4.5 billion) vs. Q4 FY2025 ($8.8 billion).
- ICRA projects India's CAD to enlarge considerably to $13-15 billion (-1.5% of GDP) in Q2 FY2026 vis-à-vis Q1 FY2026, led by a significant widening in the merchandise trade deficit. Overall, the CAD/GDP may surpass ~1.0% of GDP in FY2026, if the 50% US tariff rate prevails till end-March 2026, which would lead to a YoY contraction in exports.
- The INR has depreciated by 3.2% against the $ in CY2025 so far (up to September 1), making it one of the worst performing EM currencies against the $ during this period. Overall, ICRA expects the USD/INR pair to trade between 87.0 and 89.0 in the near term, while remaining susceptible to event risks, particularly tariff-related developments.

Outline

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1 Developments in India's Balance of Payments during Q1 FY2026

2 Preliminary July 2025 trends and outlook for Q2 FY2026

3 FY2026 Outlook on CAD and INR

Developments in India's BOP in Q1 FY2026

Current account deficit printed at a lower-than-expected 0.2% of GDP in Q1 FY2026

India's current account expectedly reverted to a deficit of $2.4 billion or 0.2% of GDP in Q1 FY2026, albeit trailed forecast

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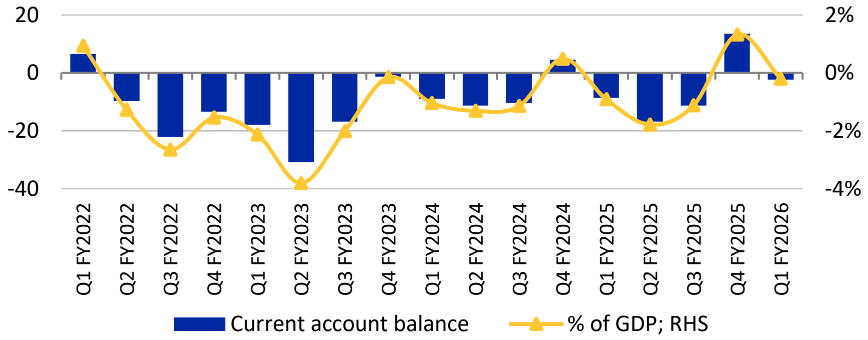
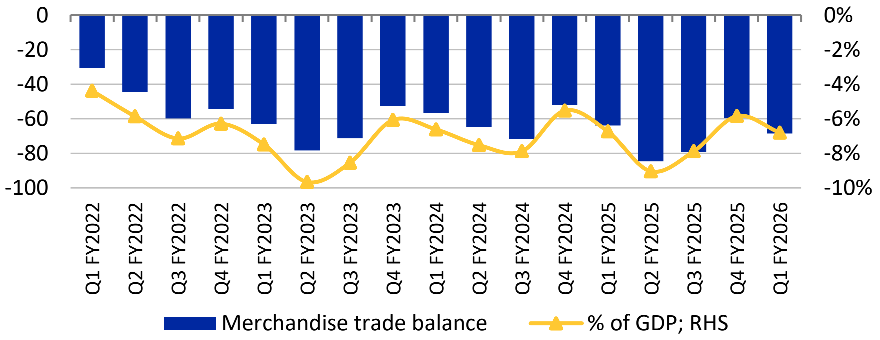
EXHIBIT: Current Account Balance – $ billion and % of GDP



"-" denotes outflows and vice versa; Source: RBI; CEIC; ICRA Research

EXHIBIT: Merchandise Trade Balance - $ billion and % of GDP



"-" denotes outflows and vice versa; Source: RBI; CEIC; ICRA Research

- India's current account recorded a deficit of $2.4 billion (-0.2% of GDP) in Q1 FY2026, trailing the deficit of $8.6 billion (-0.9% of GDP) in the year-ago quarter, and the average deficit of $11.8 billion seen during Q1 FY2023-2025. This was considerably lower than ICRA's forecast of ~$7.0 billion for Q1 FY2026.
- The lower CAD print in Q1 FY2026 vis-à-vis Q1 FY2025 was on account of a higher services trade surplus (to $47.9 billion in Q1 FY2026 from $39.7 billion in Q1 FY2025) and secondary income inflows (to $31.0 billion from $26.3 billion), which offset the widening in the merchandise trade deficit (to $68.5 billion from $63.8 billion, amid a greater rise in imports vis-à-vis exports) and higher primary income outflows (to -$12.8 billion from -$10.9 billion) between these quarters.
  - The non-oil non-gold imports reported an expansion of 8.4% YoY in Q1 FY2026, on a BoP basis. Despite this, the overall import growth remained constrained at 3.8%, amid contraction in imports of petroleum, crude and products (-4.3% YoY; to $49.3 billion in Q1 FY2026 from $51.5 billion in Q1 FY2025; driven by lower prices: -20.9% YoY) and gold imports (-10.3%; to $7.5 billion from $8.3 billion).
  - Oil exports contracted by 15.5% YoY in Q1 FY2026, even as exports of non-oil items rose by 5.7% (on a BoP basis), thus, weighing on the overall export growth in the quarter,
- The Q1 FY2026 CAD stood in contrast to the surplus of $13.5 billion in Q4 FY2025, owing to the seasonal widening in the merchandise trade deficit and lower service trade surplus.

YoY uptick in earnings from invisibles more than offset the larger merchandise trade deficit, constricting the current account deficit in Q1 FY2026

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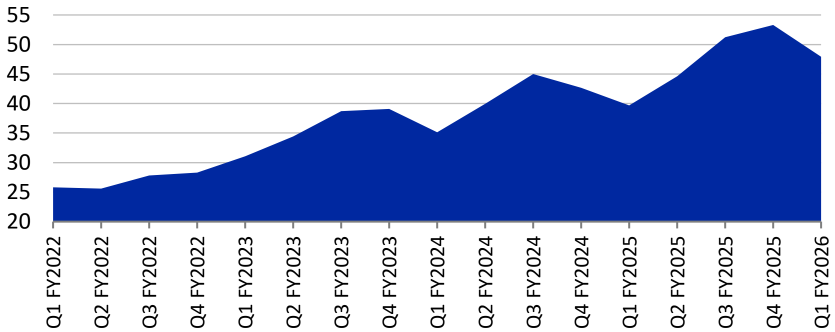
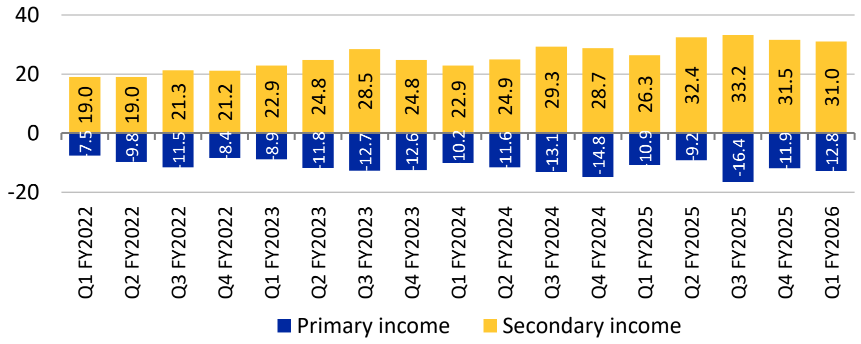
EXHIBIT: Services Trade Account - Net Flows ($ billion)



"-" denotes outflows and vice versa; Source: RBI; CEIC; ICRA Research

EXHIBIT: Secondary and Primary Income Account - Net Flows ($ billion)

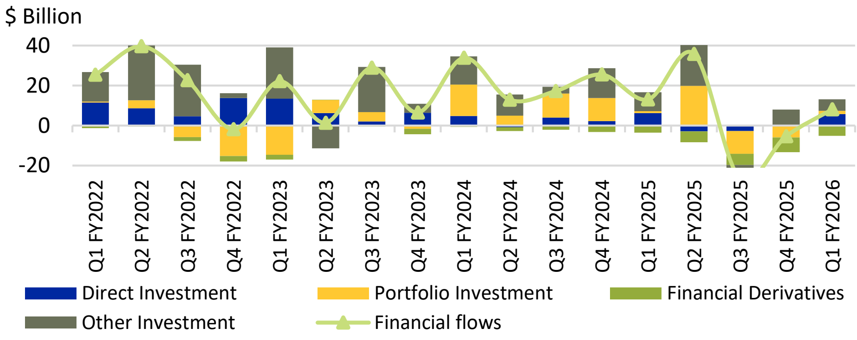


"-" denotes outflows and vice versa; Source: RBI; CEIC; ICRA Research

- The services trade surplus moderated to $47.9 billion in Q1 FY2026 from the record-high of $53.3 billion in Q4 FY2025, although it exceeded the year-ago level of $39.7 billion in Q1 FY2025. The 20.8% YoY uptick was largely led by higher net earnings related to telecom, communication and information (+11.1% YoY; to $41.5 billion in Q1 FY2026 from $37.3 billion in Q1 FY2025), other business (that more than doubled to $13.6 billion from $6.4 billion), followed by financial services (+31.0% YoY; to $1.2 billion from $0.9 billion), even as net outflows on account of travel services (to -$3.2 billion from -$1.8 billion) widened between these quarters.
- Net inflows of secondary income increased by a higher-than-expected 17.9% YoY to $31.0 billion in Q1 FY2026 from $26.3 billion in Q1 FY2025, led by a sharp uptick in personal transfers (+16.7% YoY; to $31.1 billion from $26.7 billion). In contrast, the net outflows of primary income widened to $12.8 billion in Q1 FY2026 from $10.9 billion in Q1 FY2025, reflecting the trend for higher outflows of net overseas investment income (to -$14.8 billion from -$13.3 billion).
- Overall, earnings from invisibles rose by a sharp 19.9% YoY to $66.1 billion in Q1 FY2026 from $55.2 billion in Q1 FY2025 (vs. $73.0 billion in Q4 FY2025). This more than offset the YoY widening in the merchandise trade deficit, leading to a lower current account deficit in that quarter, compared to Q1 FY2025.

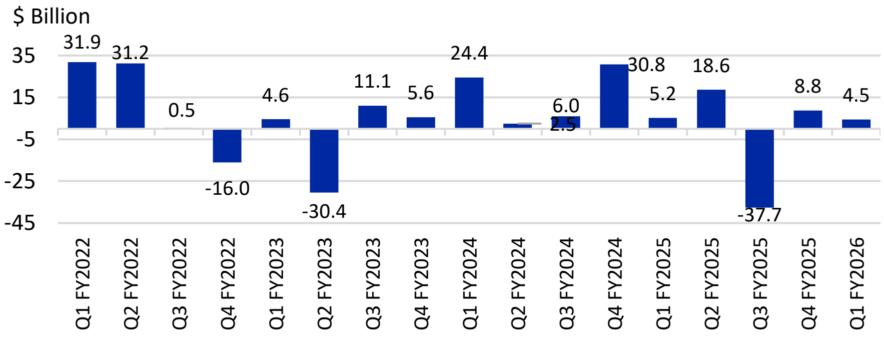
India witnessed an accretion to reserve assets of $4.5 billion in Q1 FY2026, lower than the levels seen in Q4 FY2025

EXHIBIT: Trends in Financial flows to India ($ billion)



"-" denotes outflows and vice versa; Source: RBI; CEIC; ICRA Research

EXHIBIT: Trends in changes in India's reserve assets ($ billion)



Change in Reserve Asset [Increase (+)/Decrease (-)]; Source: RBI; CEIC; ICRA Research

- After witnessing outflows in Q3 (-$26.5 billion) and Q4 FY2025 (-$5.4 billion), India saw net financial inflows of $8.1 billion in Q1 FY2026 (+$13.0 billion in Q1 FY2025).
  - On a QoQ basis, the turnaround was driven by net FPI (to +$1.6 billion in Q1 FY2026 from -$5.9 billion in Q4 FY2025) and trade credit flows (to +$0.7 billion from -$4.4 billion), lower financial derivatives outflows (to -$5.1 billion from -$7.5 billion), and higher net FDI (to +$5.7 billion from +$0.4 billion) and NRI deposit (to +$3.6 billion from +$2.8 billion) inflows in Q1 FY2026 vis-à-vis Q4 FY2025. Notably, net ECB inflows (to +$4.5 billion from +$8.0 billion) eased between these quarters.
  - On a YoY basis, the net financial inflows were lower than the inflows of $13.0 billion seen in Q1 FY2025, largely driven by a dip in inflows on account of net FDI (to +$5.7 billion in Q1 FY2026 from +$6.2 billion in Q1 FY2025), NRI deposits (to +$3.6 billion from +$4.0 billion), and trade credit (to +$0.7 billion from +$2.2 billion), and higher outflows on account of financial derivatives (to -$5.1 billion from -$3.6 billion).
- Overall, the turnaround in the current account to a deficit in Q1 FY2026 vis-à-vis Q4 FY2025 more than offset that seen in net financial flows, leading to a relatively lower accretion of reserve assets amounting to $4.5 billion in that quarter (+$8.8 billion in Q4 FY2025; on a BoP basis). Moreover, this was significantly lower than the $29.8 billion uptick seen in India's reserve assets during Q1 FY2026, with the latter being largely boosted by valuation gains.

Preliminary trends for July 2025 and outlook for Q2 FY2026

Current account deficit to widen to a sizeable ~1.5% of GDP in Q2 FY2026

Steeper YoY expansion in merchandise imports, relative to such exports pushed up MTD to eight-month high of $27.3 billion in July 2025

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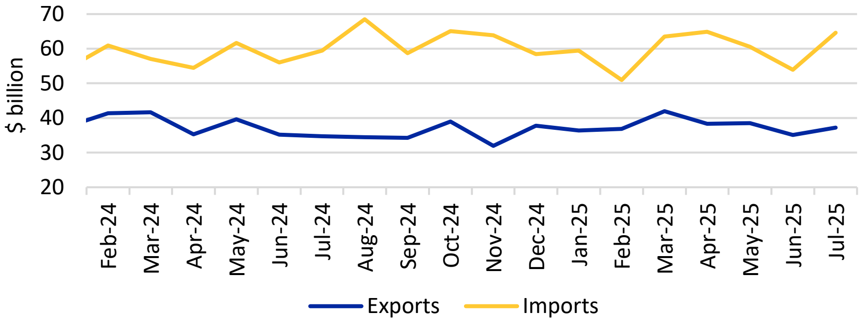
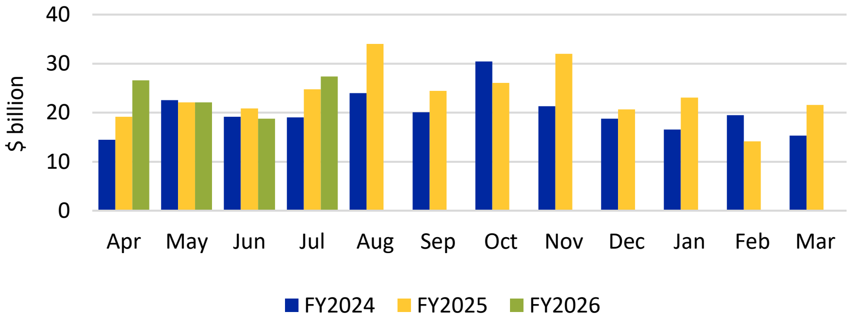
EXHIBIT: Trends in Merchandise Exports and Imports



Source: Ministry of Commerce and Industry, GoI; ICRA Research

EXHIBIT: Trends in Merchandise Trade Deficit (MTD)



Source: Ministry of Commerce and Industry, GoI; ICRA Research

- India's merchandise exports rose by a robust 7.3% YoY to $37.2 billion in July 2025 (+1.7% in Q1 FY2026). This was supported by a healthy YoY growth in the non-oil segment (+13.8% in July 2025 vs. +5.7% in Q1 FY2026), even as petroleum shipments fell sharply (-25.0% vs. -15.6%), partly owing to softer crude oil prices. Within the non-oil segment, electronic goods (YoY: +33.9%), gems and jewellery (+28.9%), and engineering goods (+13.8%) saw a robust expansion in July 2025, accounting for nearly 70% of the absolute uptick in non-oil exports.
- In contrast, merchandise imports saw a relatively sharper increase of 8.6% YoY to $64.6 billion in July 2025 (+4.2% in Q1 FY2026). This was driven by oil imports (+7.5% in July 2025 vs. -4.4% in Q1 FY2026), even as the pace of growth in non-oil non-gold imports slowed slightly (+8.6% vs. +9.3%), while remaining healthy. Additionally, gold imports surged by 13.8% YoY to $4.0 billion in July 2025 (-10.3% in Q1 FY2026). Among non-oil non-gold items, imports of electronic goods (+12.8%), electrical and non-electrical machinery (+20.0%), and pearls, precious, and semi-precious stones (+28.6%) accounted for ~68% of the total YoY increase in imports in July 2025.
- Consequently, India's MTD widened to an eight-month high of $27.3 billion in July 2025 from $24.8 billion in July 2024, and an average of $22.5 billion/month in Q1 FY2026. This was driven by a widening in both the oil (-$11.2 billion in July 2025 vs. Q1 FY2026 average: -$10.6 billion) and non-oil (-$16.1 billion vs. -$11.9 billion) segments.

India’s current account deficit to enlarge to ~1.5% of GDP in Q2 FY2026

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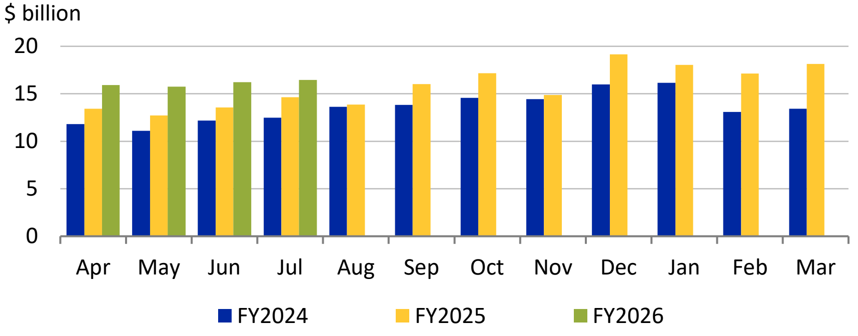
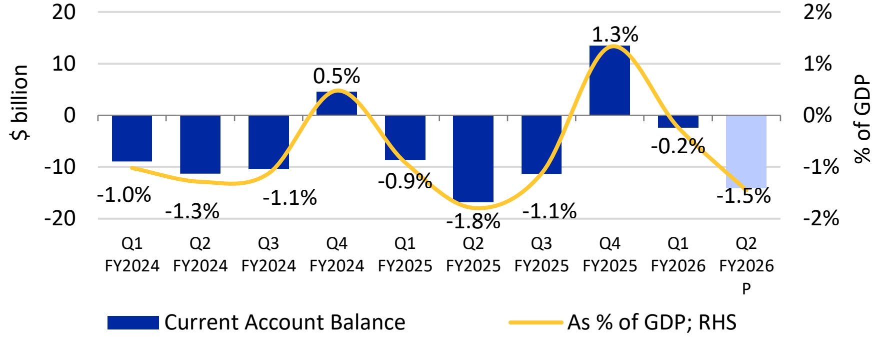
EXHIBIT: Trends in Services Trade balance



Source: RBI; ICRA Research

EXHIBIT: India’s Current Account Balance ($ billion; % of GDP)



P: Projected; Data labels correspond to CAD as % of nominal GDP; ICRA’s nominal GDP Proj. has been used for Q2 FY2026; Source: RBI; CEIC; ICRA Research

- The US imposed a special tariff of 25% on August 27, 2025, over and above the 25% reciprocal tariff, which could lead to a compression in exports across several categories including textiles, cut and polished diamonds, seafood, and leather products in September 2025, if the levies continue through the month. At the current juncture, **ICRA expects the MTD to widen sharply to $85-88 billion in Q2 FY2026 from $68.5 billion in Q1 FY2026 and print slightly higher than $84.6 billion in Q2 FY2025 (on a BoP basis).**
- India’s services exports rose by a robust 10.3% to a four-month high of $33.7 billion in July 2025 (+10.1% in Q1 FY2026). Such imports also increased by 8.5% to $17.3 billion in July 2025 (+1.5% in Q1 FY2026). Consequently, the services trade surplus printed at a four-month high of $16.4 billion in July 2025, 12.4% higher than the year-ago level of $14.6 billion. Based on the initial data, **the services trade surplus is expected to rise to $49-51 billion in Q2 FY2026 from $47.9 billion in Q1 FY2026 and $44.6 billion in Q2 FY2025.**
- Overall, the sharp widening in the merchandise trade deficit is expected to be partly offset by the uptick in the services trade surplus in Q2 FY2026 vis-à-vis Q1. Based on this, **ICRA projects India’s current account deficit to enlarge considerably to $13-15 billion (-1.5% of GDP; four-quarter high) in the quarter from $2.4 billion in Q1 FY2026 (-0.2% of GDP), while printing lower than the deficit of $16.8 billion (-1.8% of GDP) in Q2 FY2025.**

Outlook on CAD and INR for FY2026

CAD/GDP may exceed ~1.0% in FY2026 if steep US tariffs continue till end-March 2026; USD/INR pair to trade between 87.0 and 89.0 in near term

India's net oil import bill to narrow in FY2026; volatility in crude oil prices remains a key monitorable

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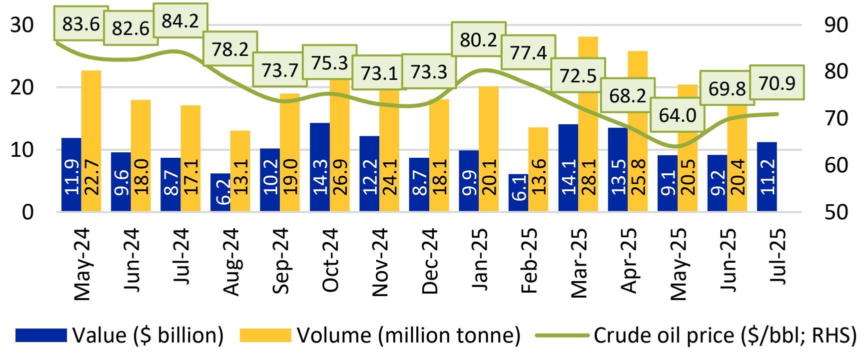
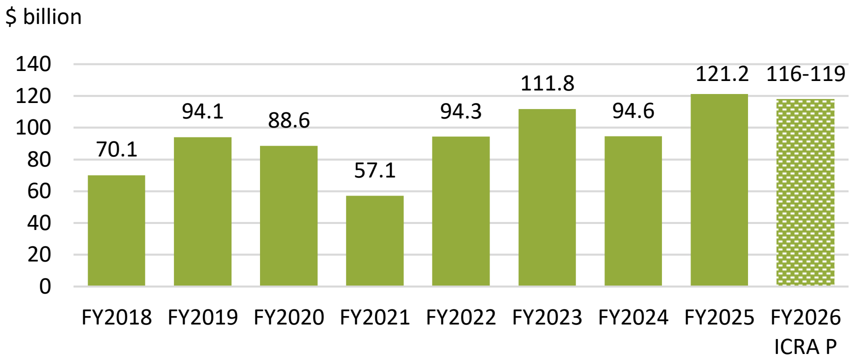
EXHIBIT: Trends in net POL imports - value and volume, and crude oil prices



Volume data for July 2025 is not yet available; Net oil imports includes crude petroleum and petroleum products; Source: Ministry of Commerce and Industry; PPAC; CEIC; ICRA Research

EXHIBIT: Annual trends in net POL imports



P: Projected; Source: Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in India's net POL imports rose sharply by ~28% YoY to $121.2 billion in FY2025, amid the surge in net import volumes (at 239.4 million tonne; YoY: +20.3%), while crude oil prices fell to $78.6/bbl from $82.5/bbl seen in FY2024. Subsequently, the net oil import bill stood at $43.1 billion during April-July 2025, 8.8% higher than the year-ago level of $39.6 billion, notwithstanding the correction in crude oil prices (-19.7% YoY in April-July 2025), which we believe represents frontloading of shipments.
- Notably, the operationalisation of the new Dangote refinery in Nigeria is also likely to adversely impact Indian exports of diesel to the EU, as it is much closer to the region.
- **ICRA expects the value of net oil imports to ease to $116-119 billion in FY2026 from $121.2 billion in FY2025, owing to a likely dip in crude oil prices (ICRA P: ~$70/bbl in FY2026 vs. $78.6/bbl in FY2025) as well as a relatively muted volume growth in the remaining period, after the frontloading in 4M FY2026.**

Gold imports projected to decline to $50-52 billion in FY2026, as elevated prices compress demand

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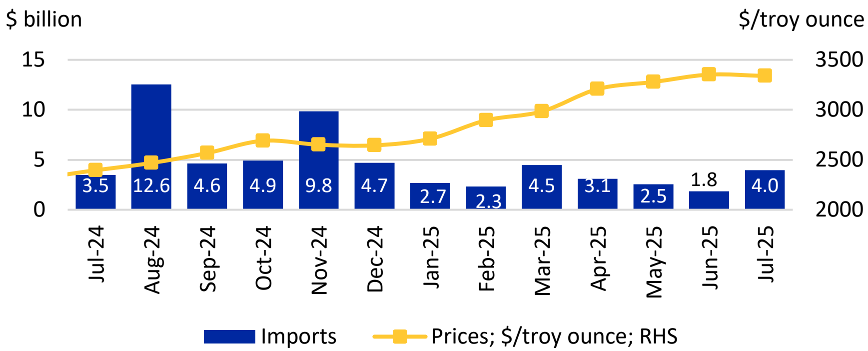
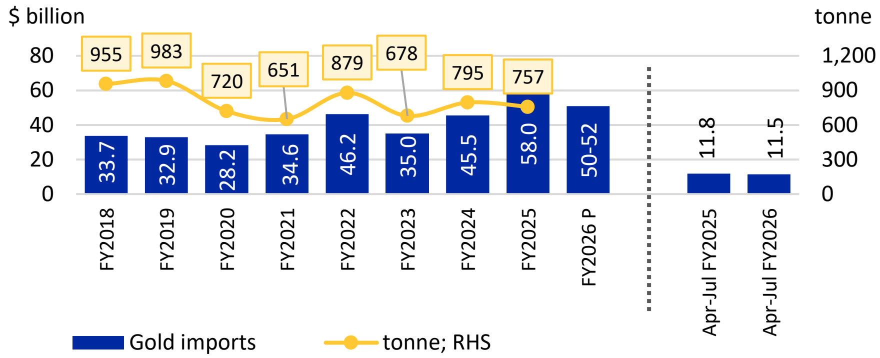
EXHIBIT: Trends in monthly gold imports and prices



Source: Ministry of Commerce and Industry; WGC; ICRA Research

EXHIBIT: Annual trends in Gold imports

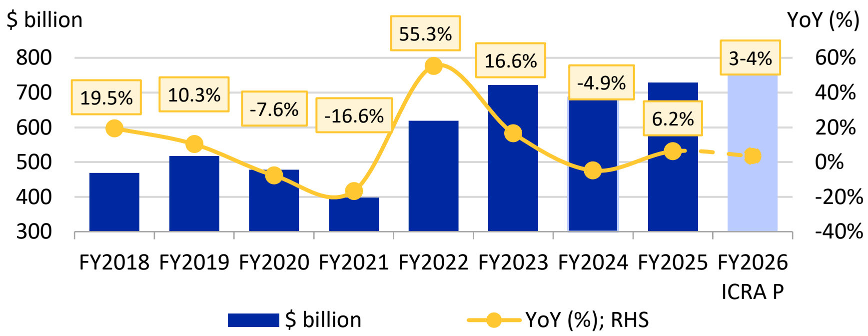


P: Projected; Source: Ministry of Commerce and Industry, GoI; ICRA Research

- The value of gold imports fell by 3.2% YoY to $11.5 billion in April-July FY2026 from $11.8 billion in April-July FY2025, despite a sharp rise in prices. The imported volume of gold eased by 22.4% YoY to 90.2 tonne in Q1 FY2026 from 116.2 tonne in Q1 FY2025. The data for July 2025 is not yet available.
- Overall, prices have averaged at a sharp 40.0% higher on a YoY basis during April-July FY2026, which has weighed on import volumes during this period.
- **Gold imports are expected to continue to chart a volatile trend, contingent on the price movements. Although demand is anticipated to improve in the festive season, with healthy outlook on rural consumption given favourable prospects for farm output. ICRA estimates gold imports at $50-52 billion in FY2026, entailing some moderation from the record high of $58.0 billion seen in FY2025.**

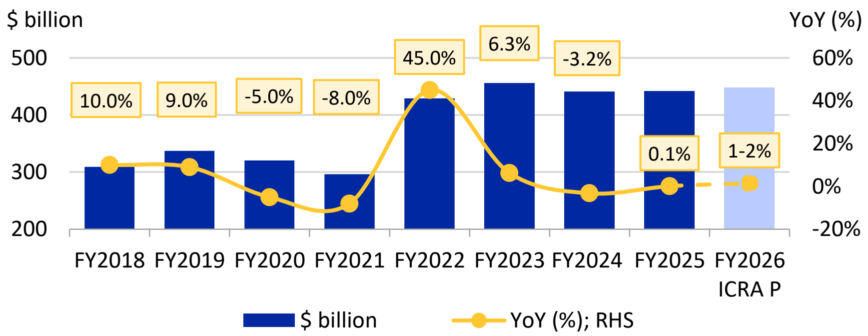
Merchandise exports likely to contract in FY2026, if US tariff continues till end-March; imports to grow by 3-4%, led by non-oil non-gold segment

EXHIBIT: Trends in merchandise imports



P: Projected; Source: Ministry of Commerce and Industry, GoI; ICRA Research

EXHIBIT: Trends in merchandise exports

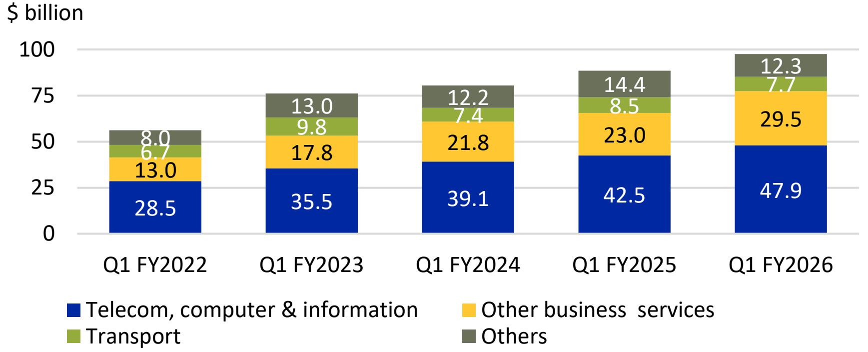


P: Projected; Source: Ministry of Commerce and Industry, GoI; ICRA Research

- ICRA's baseline assumption builds in a 1-2% growth in merchandise exports in FY2026, with risks tilted to the downside. The export number is estimated at $446-451 billion, as compared to $442 billion in FY2025 (on a BOP basis). The US has imposed the 25% additional penalty on India on August 27, 2025, taking the total tariff to 50%. Considering that ~50-60% of India's exports to the US (total merchandise exports to the US in FY2025: $87 billion) are at risk, the downside is likely to be material in case the 50% tariff rate (25% general + 25% special) is continued until the end of FY2026. Given this, India's exports to the US (which account for ~20% of total merchandise exports) are likely to contract during the remainder of the fiscal, which could lead to a modest contraction in total merchandise exports.
- India's merchandise imports are expected to rise by 3-4% to $751-758 billion in FY2026 ($729 billion in FY2025; on BOP basis). While oil and gold imports are set to decline in FY2026, the non-oil non-gold segment is projected to grow by 7-8% in FY2026 (+5% in FY2025), given the strong growth seen in the first four months of FY2026 (+9.1%), supported by the healthy outlook for domestic consumption.

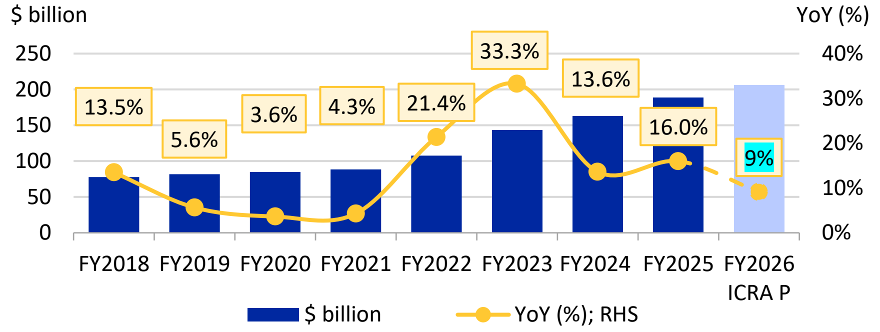
Services trade surplus to rise to an all-time high of $205-207 billion in FY2026

EXHIBIT: Trends in composition of services exports



Source: RBI; CEIC; ICRA Research

EXHIBIT: Annual trends in services trade surplus



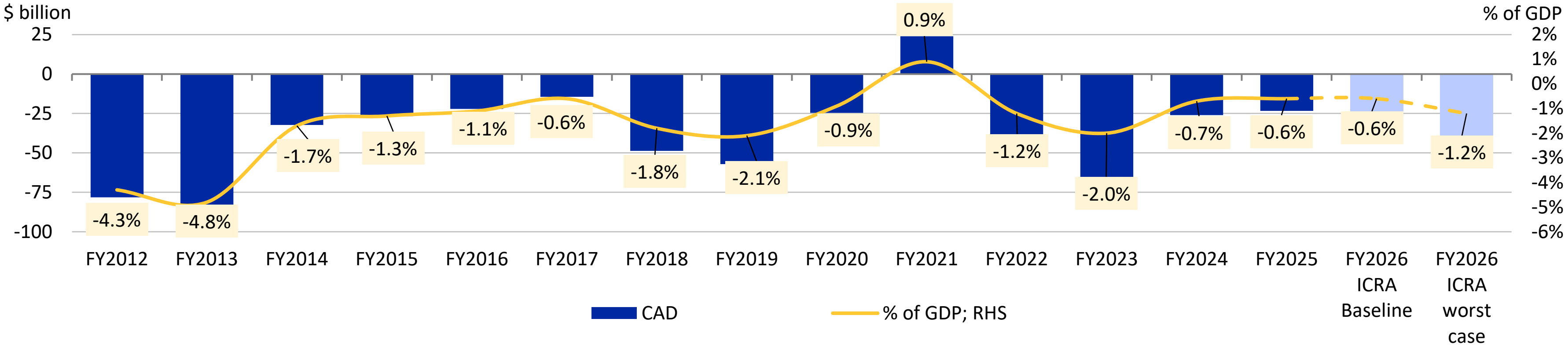
P: Projected; Source: RBI; CEIC; ICRA Research

- India's services exports rose by a robust 10.2% to $131.1 billion in April-July 2025 from $119.0 billion in the year ago period, while such imports increased by a muted 3.2% to $66.8 billion from $64.7 billion, respectively. Consequently, the services trade surplus stood at $64.3 billion in 4M FY2026, exceeding the year ago level of $54.3 billion.
- Among services, **the exports of IT services are expected to remain moderate in FY2026, amid expectations of a tepid 2-3% growth in revenues (in USD terms) in ICRA's sample set of companies (+2.9% in FY2025), owing to uncertainties arising due to US tariff imposition. Despite record order wins in Q4 FY2025, the conversion to revenues will witness further delays as customers remain cautious due to global uncertainty. Additionally, while the India-UK Free Trade Agreement (FTA) augurs well for the Indian IT services industry, the financial impact of this measure may be modest***. The exports of non-IT services (including GCCs) are likely to continue to outperform the IT segment in the fiscal and drive the growth in overall service exports, as was also visible in Q1 FY2026.
- **ICRA expects the services trade surplus to rise by ~9% to $205-207 billion in FY2026 from $189 billion in FY2025. While the service sector appears relatively insulated from US tariffs, sour trade relations and macro uncertainty would pose some downside risk to our estimate, albeit this would be quite limited as compared to the extent of the same for merchandise exports.**

**Refer to ICRA's publication, Steady but subdued: IT services' revenue growth to stay modest at 2-3% in USD terms in FY2026, published in June 2025.*

CAD/GDP may surpass 1.0% of GDP if steep US tariffs prevail till end-March 2026

EXHIBIT: Trends in India's Current Account Balance



Worst case assumes YoY fall of 4% in merchandise exports as against baseline assumption of a growth of 1-2%; Data labels correspond to CAD as % of nominal GDP; ICRA's nominal GDP forecast has been used for FY2026; Source: RBI; CEIC; ICRA Research

- With expectations of a stronger growth in imports (+3% to +4%) vis-à-vis exports (+1% to +2%; baseline), India's merchandise trade deficit is estimated to print at $304-308 billion in FY2026, higher than $287 billion in FY2025 (on a BoP basis). As per the baseline assumption of limited risks to exports, India's CAD is projected to print at $23-25 billion (-0.6% of GDP) in FY2026 largely similar to $23.3 billion (-0.6% of GDP) seen in FY2025.
- **The extent of downside to our CAD projection for FY2026 is contingent on the severity of tariffs being finally imposed by the US and the consequent impact it triggers on several sectors. Considering that ~50-60% of India's exports to the US (total merchandise exports to the US in FY2025: $87 billion) are at risk, the downside is likely to be material in case the 50% tariff rate (25% general + 25% special) is continued until the end of FY2026. Given this, India's exports to the US are likely to contract during the remainder of the fiscal. In this scenario, we expect India's overall merchandise exports to decline somewhat in FY2026 from the levels seen in FY2025, and for the CAD to exceed 1% of GDP, while still remaining at moderate levels.**

Forex reserves stood at $691 billion as on August 22, 2025, ~$12 billion lower than June 2025 peak

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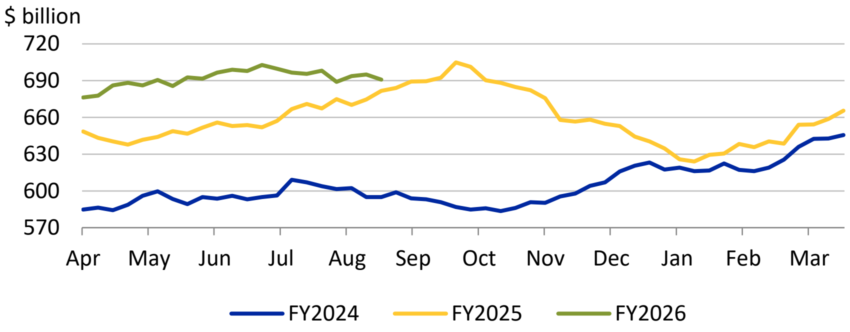
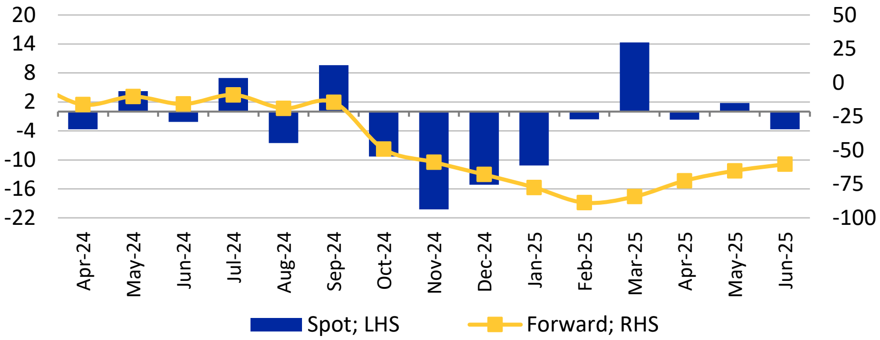
EXHIBIT: India's Foreign Exchange Reserves



Source: RBI; CEIC; ICRA Research

EXHIBIT: Net sales/purchases of $ in the spot market and outstanding net sales/purchases in forward market by the RBI ($ billion)

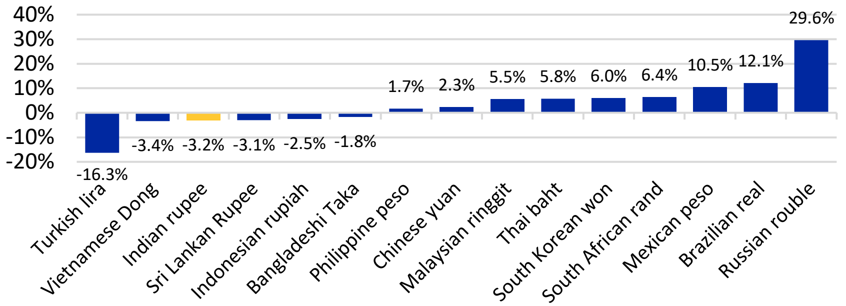


**Net Purchase (+)/ Sale (-); Source: RBI; CEIC; ICRA Research*

- India's foreign exchange reserves touched an all-time high of $702.8 billion as on June 27, 2025. Thereafter, these reserves declined by ~$12 billion to $690.7 billion as on August 22, 2025, partly impacted by valuation losses owing to the 0.3% rise in DXY levels (to 97.72 from 97.40 between these dates), maturity of $5 billion swap on August 4 and likely limited intervention by the RBI given the slide in the USD/INR pair after the announcement of US tariffs on India on July 30, 2025.
- The RBI turned into a net seller of dollars in the spot market in Q1 FY2026, with sales amounting to $3.6 billion, after purchasing $1.6 billion in Q4 FY2025. However, the overall intervention in the market eased in the quarter, as reflected in the average monthly gross purchases (to $6.8 billion in Q1 FY2026 from $45.2 billion in Q4 FY2025) and sales (to $8.0 billion from $44.7 billion).
- In the forward market, the RBI's o/s net sales declined to $60.4 billion at end-June 2025 from $84.3 billion at end-March 2025. However, the maturity profile of the net-short positions in less than 3M bracket has increased in July 2025 ($18.5 billion), compared to June 2025 ($14.4 billion), as per the RBI's special data dissemination standards. Unless these are converted into longer-tenure brackets, the unwinding of the forward position would exert pressure on forex reserves in this fiscal.

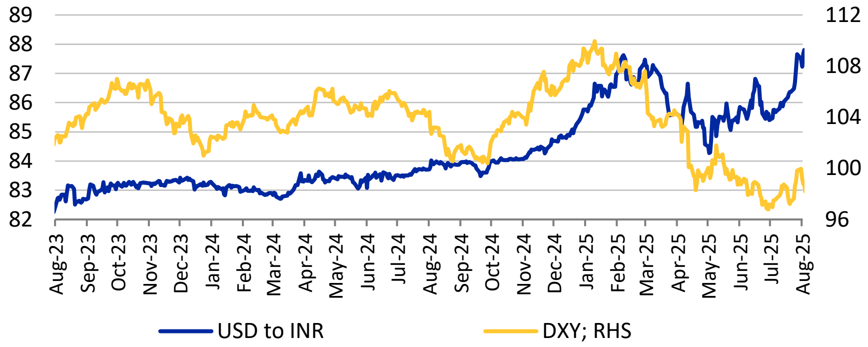
USD/INR pair breached 88-mark at end-August 2025; INR stood out as one of the weak performing currencies against $ in CY2025 vis-à-vis other EMs

EXHIBIT: Exchange Rate Movements of Various Currencies Relative to the $ in CY2025 so far (up to September 1, 2025)



**Negative values indicate depreciation against the $; Source: Refinitiv, ICRA Research*

EXHIBIT: Trends in USD/INR and DXY



**Data for FY2026 is up to September 1, 2025; Source: Refinitiv; ICRA Research*

- The imposition of steep US tariffs and uncertainty around trade talks have triggered volatility in the USD/INR pair in the ongoing calendar year, with the INR trading in an INR 3.88 range thus far, as against INR 2.12 band in H2 CY2024. Recently, the USD/INR pair depreciated by 0.9% to an all-time low of 88.26/$ on September 1, 2025 from end-July 2025 level. Additionally, FPIs have withdrawn $7.1 billion from Indian equities since end-June 2025 (until Sep 1), that has added pressure on the USD/INR pair.
- On a CYTD basis (till Sept 1, 2025), the INR has depreciated by 3.2% against the $, as compared to the steep 6.0% fall in DXY levels. With this, India stood out as one of the weaker currencies to have reported a depreciation vs. the $, along with Vietnam and Turkey. On the contrary, the currency of as many as 12 countries in our dataset fared better against the $, with tariff differential imposed by the US being much steeper for India, compared to that for other EMs and advanced countries.
- **Amid uncertainty around the impact of US tariffs and continuing foreign capital outflows, ICRA expects the USD/INR pair to trade between 87.0 and 89.0 in the near term, while remaining susceptible to event risks, particularly tariff-related developments.**

Annexure

EXHIBIT: Trends in India's Current account

Figures in $ billion	Q1 FY2025	Q2 FY2025	Q3 FY2025	Q4 FY2025	Q1 FY2026	Q2 FY2026 ICRA P	FY2023	FY2024	FY2025	FY2026 ICRA Baseline	FY2026 ICRA Worst case
Merchandise Exports	111.2	104.5	109.8	116.3	113.1	105 to 107	456.1	441.4	441.8	446 to 451	421 to 426
Merchandise Imports	175.0	189.2	189.1	175.8	181.6	191 to 193	721.4	686.3	729.0	751 to 758	751 to 758
Merchandise Trade Balance	***-63.8***	***-84.6***	***-79.3***	***-59.5***	***-68.5***	***-85 to -88***	*-265.3*	-244.9	-287.2	**-304 to -308**	**-329 to -333**
Net Services	**39.7**	**44.6**	**51.2**	**53.3**	**47.9**	**49 to 51**	143.3	162.8	188.8	**205 to 207**	**205 to 207**
Primary Income	**-10.9**	**-9.2**	**-16.4**	**-11.9**	**-12.8**	**-10 to -12**	-45.9	-49.8	-48.4	**-55 to -57**	**-55 to -57**
Secondary Income	**26.3**	**32.4**	**33.2**	**31.5**	**31.0**	**32 to 34**	100.9	105.9	123.5	**128 to 132**	**128 to 132**
Current Account Balance	***-8.6***	***-16.8***	***-11.3***	***13.5***	***-2.4***	***-13 to -15***	*-67.0*	-26.0	-23.3	**-23 to -25**	**-48 to -50**
Percentage of GDP	**-0.9%**	**-1.8%**	**-1.1%**	**+1.3%**	**-0.2%**	**-1.5%**	-2.0%	-0.7%	-0.6%	**-0.6%**	**-1.2%**

EXHIBIT: Trends in India's Financial flows

Figures in $ billion	Q1 FY2025	Q2 FY2025	Q3 FY2025	Q4 FY2025	Q1 FY2026	FY2022	FY2023	FY2024	FY2025
Financial flows	**13.0**	**35.8**	**-26.5**	**-5.4**	**8.1**	**85.9**	**59.0**	**89.4**	**16.8**
Direct investment	6.2	-2.8	-2.8	0.4	5.7	38.6	28.0	10.2	1.0
Portfolio investment	0.9	19.9	-11.4	-5.9	1.6	-16.8	-5.2	44.1	3.6
Financial derivatives	-3.6	-5.5	-5.5	-7.5	5.1	-6.4	-5.4	-7.9	-22.1
Other investment*	9.5	24.3	-6.8	7.6	5.9	70.5	41.5	43.1	34.6

**other investments include ECBs, banking capital, trade credit and advances, other accounts receivable/payable, etc.; P: Projected; ICRA's nominal GDP forecast has been used for FY2026; Source: RBI; CEIC; ICRA Research*

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Thank You!