ICRA

Outlook on Current Account Deficit

Spike in gold imports after duty cut likely to bloat Q2 FY2025 CAD to ~2.0% of GDP from 1.1% of GDP in Q1 FY2025

OCTOBER 2024

Highlights

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India's current account reverted to a deficit of 1.1% of GDP in Q1 FY2025

Turnaround from the transient surplus in Q4 FY2024 was led by wider merchandise trade deficit and lower services trade surplus

ICRA expects India's current account deficit to widen in Q2 FY2025 given the higher merchandise trade deficit in July-August; the CAD is likely to remain manageable at 1.1-1.2% of GDP in FY2025

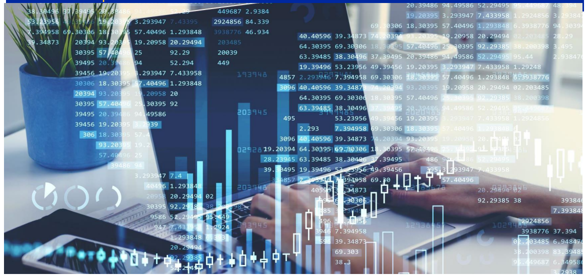
- India's current account expectedly reverted to a deficit of $9.7 billion (-1.1% of GDP; ICRA's exp: -$13.0 billion, -1.4% of GDP) in Q1 FY2025 from the transient surplus of $4.6 billion (+0.5% of GDP). While it exceeded the year-ago level (-$8.9 billion; -1.0% of GDP), it trailed our forecast.
- The turnaround to a deficit in Q1 FY2025 from a surplus of $4.6 billion in Q4 FY2024, was led by a larger merchandise trade deficit (to $65.1 billion in Q1 FY2025 from $52.0 billion in Q4 FY2024) as well as a dip in the services trade surplus (to a four-quarter low of $39.7 billion from $42.7 billion).
- The earnings from invisibles rose by 16.0% YoY to $55.4 billion in Q1 FY2025 from $47.8 billion in Q1 FY2024. However, this was more than offset by the YoY widening in the merchandise trade deficit, leading to a sharper current account deficit in that quarter, relative to Q1 FY2024.
- Overall, the reversal to a current account deficit along with the quarter-on-quarter (QoQ) decline in net financial flows in Q1 FY2025, led to a lower accretion of reserve assets amounting to $5.2 billion in that quarter (+$24.4 billion in Q1 FY2024) as against $30.8 billion seen in Q4 FY2024.
- With a sharp widening in the merchandise trade deficit during July-August FY2025 on a YoY basis, amid the spike in gold imports, ICRA expects the CAD to widen to ~2.0% of GDP in Q2 FY2025 from 1.3% of GDP in Q2 FY2024, while also exceeding the level seen in Q1 FY2025 (-1.1% of GDP).
- Overall, ICRA projects the CAD to rise sharply to $42-45 billion in FY2025, even as it is likely to remain manageable at 1.1-1.2% of GDP (-$26.0 billion; -0.7% of GDP in FY2024). While the cut in gold customs duty poses an upside to risk to these estimates, its impact is likely to be transient.
- ICRA expects the INR to trade between 83.0-84.5/$ in the near term, even as any escalation in geopolitical conflicts could exert some pressure. However, the extent of volatility in the USD/INR pair is likely to be contained, as witnessed over the last few quarters.

Outline

1 Developments in India's Balance of Payments during Q1 FY2025

2 Preliminary July-August 2024 trends and outlook for Q2 FY2025

3 Outlook on CAD and INR for FY2025

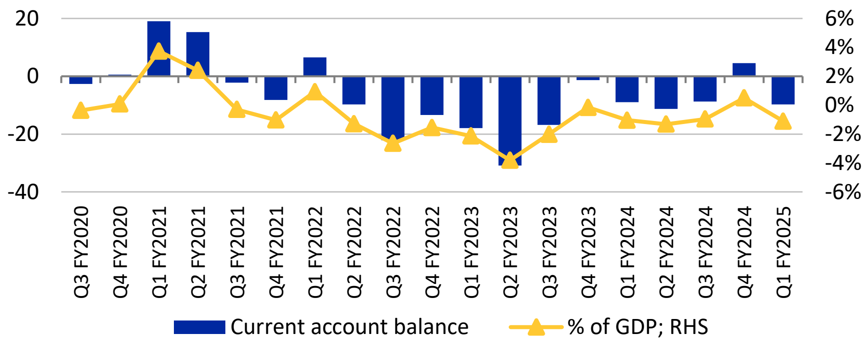


Developments in India’s BOP in Q1 FY2025

Turnaround to current account deficit and moderation in financial flows led to lower accretion to reserves in Q1 FY2025 vis-à-vis Q4 FY2024

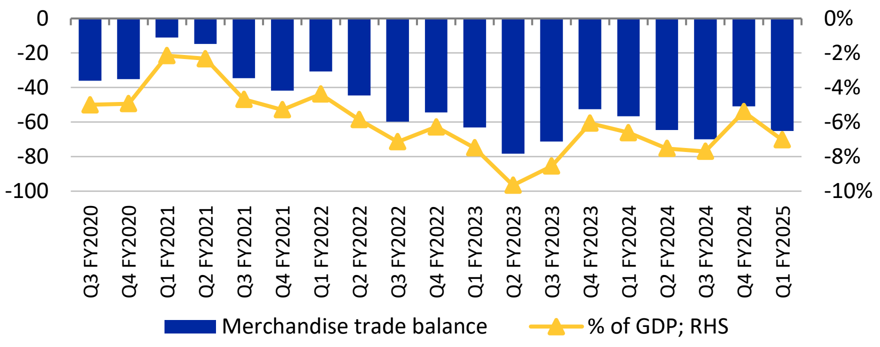
Current account expectedly reverted to a deficit of $9.7 billion or 1.1% of GDP in Q1 FY2025

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



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

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

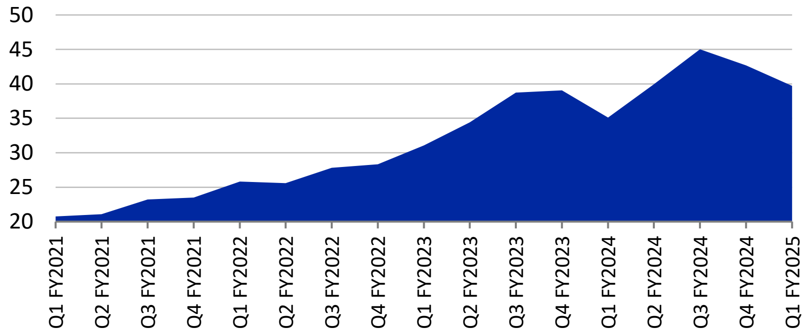


"-" denotes outflows and vice versa; Source: RBI; ICRA Research

- India's current account balance expectedly reverted to a deficit of $9.7 billion in Q1 FY2025 (-1.1% of GDP; ICRA's exp: -$13.0 billion, -1.4% of GDP), after recording a transient surplus of $4.6 billion in Q4 FY2024 (+0.5% of GDP), largely owing to a sequential widening in the merchandise trade deficit as well as a dip in the services trade surplus between these quarters. The print was also mildly higher than the CAD of $8.9 billion seen in Q1 FY2024 (-1.0% of GDP), amid a larger merchandise trade deficit, even as the services trade surplus exceeded the year ago levels.
- On a YoY basis, the merchandise trade deficit widened to $65.1 billion in Q1 FY2025 (-7.0% of GDP) from $56.7 billion in Q1 FY2024 (-6.6% of GDP), amid a lower uptick in exports (+5.9%), relative to imports (+9.1%).
  - The imports of petroleum, crude and products rose by a sharp 23.2% YoY in Q1 FY2025 (to $51.5 billion in Q1 FY2025 from $41.8 billion in Q1 FY2024), led by a 9.4% uptick in the price of the Indian basket of crude oil. In contrast, gold imports fell by 1.9% to $9.5 billion from $9.7 billion, respectively, with a sharp uptick in prices constraining volume growth in the quarter. Moreover, non-oil non-gold imports reported an increase of 4.7% YoY in Q1 FY2025, on a BoP basis.
  - Additionally, oil exports rose by 8.9% YoY in Q1 FY2025, followed by a relatively lower rise in exports of non-oil items (+5.3%; on a BoP basis) during the quarter.

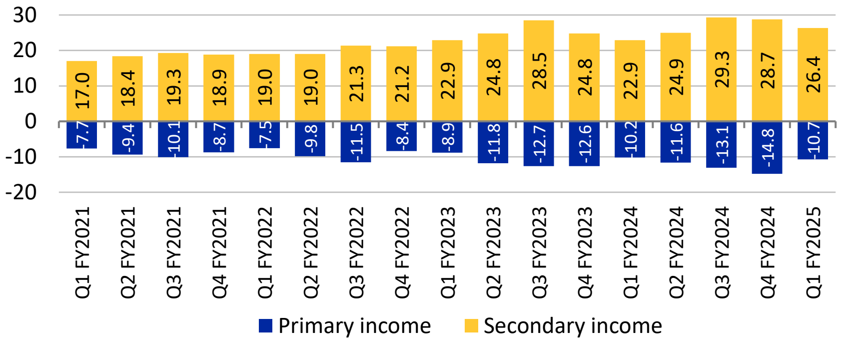
YoY uptick in earnings from invisibles more than offset by sharper merchandise trade deficit, leading to widening in CAD in Q1 FY2025

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



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

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



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

- The services trade surplus fell to a four-quarter low of $39.7 billion in Q1 FY2025 from $42.7 billion in Q4 FY2024. However, it rose by 13.1% YoY from $35.1 billion in Q1 FY2024, led by higher net earnings related to telecom, communication and information (to $37.3 billion in Q1 FY2025 from $34.2 billion in Q1 FY2024), construction (to $0.9 billion from $0.2 billion), and travel services (to -$1.8 billion from -$3.1 billion), even as that for other business services (to $6.4 billion from $6.6 billion) declined.
- Net inflows of secondary income rose by a healthy 15.4% YoY to $26.4 billion in Q1 FY2025 from $22.9 billion in Q1 FY2024, while trailing the Q4 FY2024 level ($28.7 billion). The YoY growth in secondary income was led by the uptick in personal transfers (to $26.7 billion from $23.6 billion).
- However, net outflows of primary income widened slightly to $10.7 billion in Q1 FY2025 (-$14.8 billion in Q4 FY2024) from $10.2 billion in Q1 FY2024, reflecting the trend for outflows of net overseas investment income (to -$13.1 billion from -$12.2 billion).
- Overall, earnings from invisibles rose by a robust 16.0% to $55.4 billion in Q1 FY2025 from $47.8 billion in Q1 FY2024 ($56.6 billion in Q4 FY2024). However, this was more than offset by the YoY widening in the merchandise trade deficit, leading to a larger current account deficit in that quarter relative to Q1 FY2024.

Reserve asset accretion slowed to three-quarter low $5.2 billion in Q1 FY2025, amid QoQ dip in financial flows, turnaround in current account to a deficit

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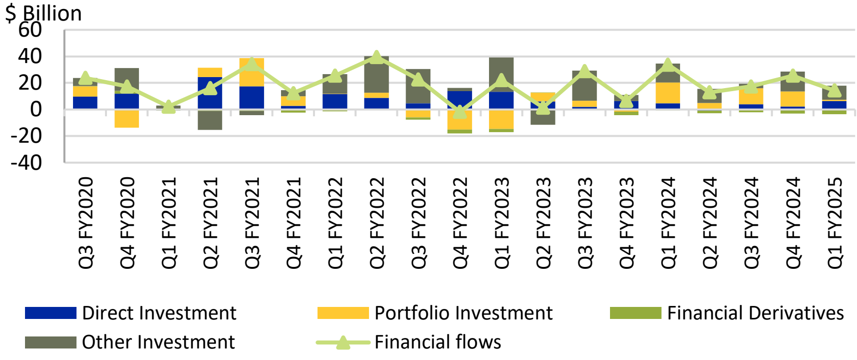
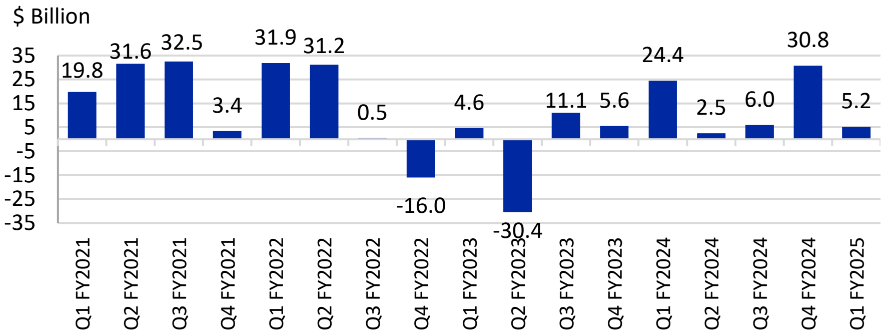
EXHIBIT: Trends in Financial flows to India ($ billion)



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

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



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

- Net financial inflows to India eased to a three-quarter low of $14.3 billion in Q1 FY2025 from $25.5 billion in Q4 FY2024, while sharply trailing the year-ago level of $33.8 billion in Q1 FY2024.
  - On a QoQ basis, the moderation was largely driven by a steep fall in net FPI inflows (to +$0.9 billion in Q1 FY2025 from +$11.4 billion in Q4 FY2024 amid uncertainty around General Elections), other accounts receivable/payable (to +$1.9 billion from +$4.2 billion), and NRI deposits (to $4.0 billion from $5.4 billion), even as net FDI inflows (+$6.3 billion vs. +$2.3 billion) and trade credit and advances (+$2.9 billion vs. +$0.2 billion) witnessed an uptick between these quarters.
  - Compared to Q1 FY2024, the steep dip was majorly on account of net FPI inflows (to +$0.9 billion in Q1 FY2025 from +$15.7 billion in Q1 FY2024) and loans (external assistance, ECBs and banking capital; to $1.7 billion from $5.7 billion), even as trade credit and advances (to +$2.9 trillion from -$5.0 billion) saw a turnaround.
- Overall, the reversal of the current account into a deficit along with the QoQ moderation in net financial flows in Q1 FY2025, led to a sharp decline in the accretion of reserve assets to a three-quarter low of $5.2 billion in that quarter (+$24.4 billion in Q1 FY2024) from $30.8 billion in Q4 FY2024 (on a BoP basis). This was slightly lower than the $5.6 billion increase in India's reserve assets during that quarter, as per the data on International Investment Position (IIP).

Current account surplus for Q4 FY2024 lowered by $1.1 billion from the initial estimate, stemming from merchandise trade deficit

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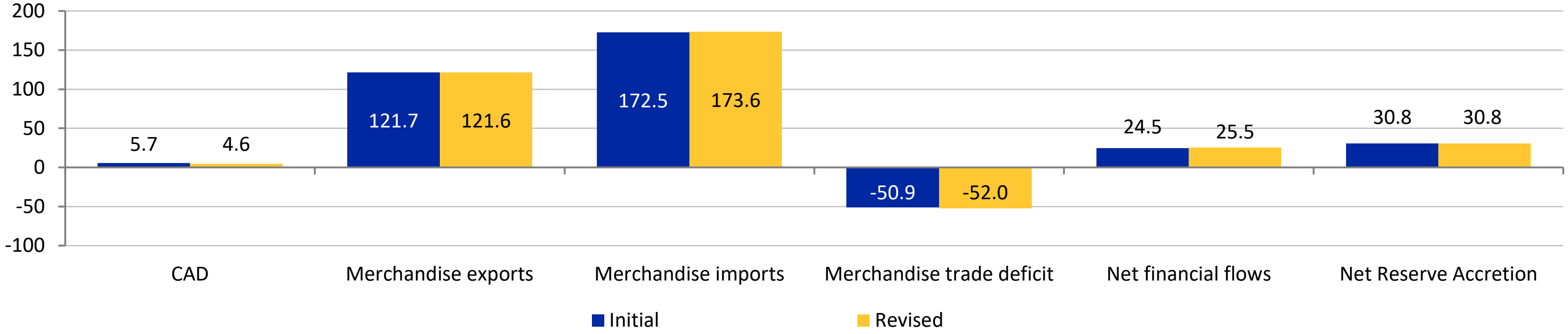
EXHIBIT: Revisions in the Q4 FY2024 Balance of Payments data ($ billion)



Source: RBI; ICRA Research

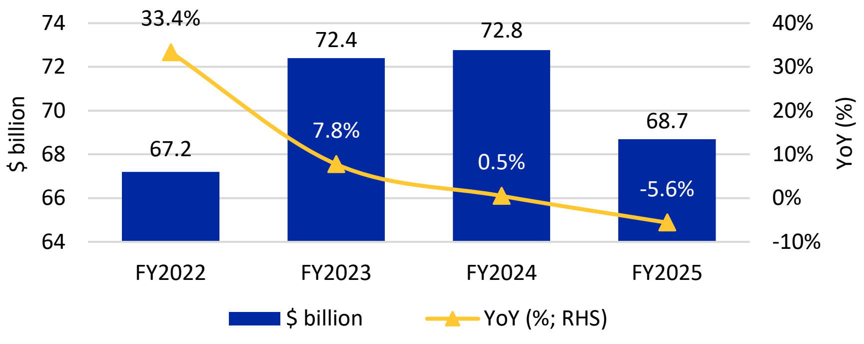
- The size of current account surplus for Q4 FY2024 underwent a downward revision to $4.6 billion from the initial estimate of $5.7 billion, largely on account of larger-than-estimated merchandise trade deficit (to -$52.0 billion from -$50.9 billion), led by merchandise imports (by $1.1 billion).
- The revision in the CAD was entirely matched by the upward revision in the quantum of financial flows in Q4 FY2024 (to +$25.5 billion from +$24.5 billion), which resulted in the net reserve accretion for the quarter remaining unchanged at $30.8 billion.

Preliminary trends for July-August 2024 and outlook for Q2 FY2025

Current account deficit expected to widen to ~2.0% of GDP in Q2 FY2025

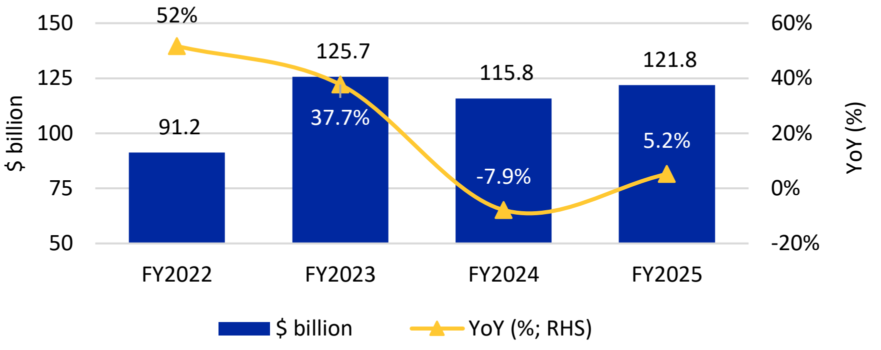
Merchandise imports increased by 5.2% YoY during July-August FY2025, while such exports contracted by 5.6%

EXHIBIT: July-August Trends in Merchandise Exports of FY2022-25



Source: Ministry of Commerce and Industry; ICRA Research

EXHIBIT: July-August Trends in Merchandise Imports of FY2022-25



Source: Ministry of Commerce and Industry; ICRA Research

- As per the provisional data released by Ministry of Commerce and Industry, India's merchandise exports declined by 5.6% YoY to $68.7 billion during July-August FY2025 from $72.8 billion during July-August FY2024 (Q1 FY2025: +6.0%). This was largely driven by the sharp YoY contraction in petroleum crude exports (-31.2% to $11.4 billion from $16.3 billion; amid a decline in international crude oil prices), even as non-oil exports (+1.8% to $57.5 billion from $56.5 billion) rose marginally during this period. Items like electronic goods (by +$0.9 billion), engineering goods (by +$0.7 billion), and drugs and pharmaceuticals (by +$0.3 billion) largely drove the uptick in non-oil exports during July-August FY2025. In monthly terms, the YoY contraction in merchandise exports widened to 9.3% in August 2024 from 1.5% seen in July 2024.
- In contrast, merchandise imports rose by 5.2% YoY to $121.8 billion during July-August FY2025 from $115.8 billion during July-August FY2024 (Q1 FY2025: +8.4%). This was boosted by the surge in gold imports (+56.3%; to $13.2 billion from $8.4 billion; amid a sharp cut in customs duty to 6% from 15% in the Union Budget) and non-oil non gold imports (+5.7%; to $83.8 billion from $79.2 billion), even as the imports of crude petroleum and products declined by 11.4% during this period (to $24.9 billion from $28.1 billion). The YoY uptick in non-oil non-gold imports during July-August FY2025 was largely driven by electronic goods (YoY: +12.2%), organic and inorganic chemicals (+14.4%), coal (+9.0%), electrical and non-electrical machinery (+6.8%), non-ferrous metals (+19.8%), etc.

Average monthly deficit in July-August FY2025 exceeded the levels seen in Q1 FY2025 and July-August FY2024

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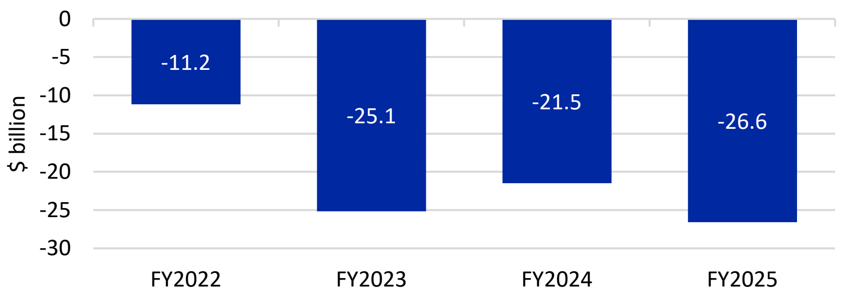
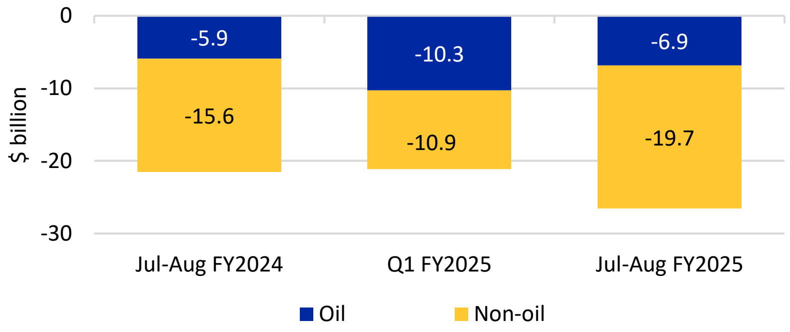
EXHIBIT: Monthly Average Trends in Merchandise Trade Balance in July-August FY2022-25



Source: Ministry of Commerce and Industry; ICRA Research

EXHIBIT: Monthly Average Trends in Trade Balance of Oil and Non-oil items



Source: Ministry of Commerce and Industry; ICRA Research

- As per the provisional data published by the Commerce Ministry, while merchandise imports (+5.2%) rose during July-August FY2025, such exports (-5.6%) declined, which resulted in a significant widening in the average monthly trade deficit to $26.6 billion in the period from $21.5 billion during July-August FY2024. This was driven by higher average deficits for both oil and non-oil items.
- In sequential terms, the monthly average deficit was higher during July-August FY2025, relative to $21.1 billion seen in Q1 FY2025, entirely led by non-oil items (to -$19.7 billion from -$10.9 billion; amid the sharp increase in gold imports following the customs duty cut in the Union Budget in July 2024), even as the deficit in the oil segment (to -$6.9 billion from -$10.3 billion) narrowed during this period.
- **With the merchandise trade deficit enlarging by ~$10 billion during July-August 2024 relative to the year ago levels, ICRA expects the merchandise trade deficit to widen sharply to $75-78 billion in this quarter from $64.5 billion in Q2 FY2024 (on a BoP basis).**

India's current account deficit to nearly double to ~2.0% of GDP in Q2 FY2025 on a QoQ basis amid larger merchandise trade deficit

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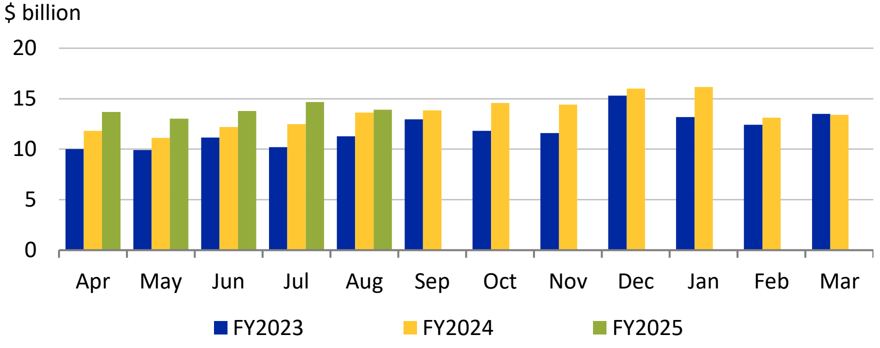
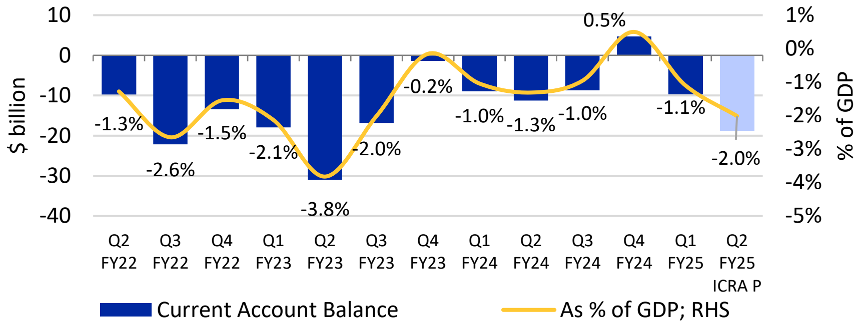
EXHIBIT: Trends in Services Trade balance



Source: RBI; ICRA Research

EXHIBIT: India's Current Account Balance ($ billion and % of GDP)



P: Projected; Data labels correspond to CAD as % of nominal GDP; ICRA's nominal GDP Proj. has been used for Q4 FY2025; Source: RBI; CEIC; ICRA Research

- India's services exports witnessed a reasonably healthy growth of 10.8% YoY during July-August 2024, with a monthly average of $30.5 billion as against $29.6 billion seen in Q1 FY2025. However, services imports grew by a sharper 12.1% in this period, which resulted in a relatively lower growth of 9.5% in services trade surplus. Nevertheless, the surplus averaged at $14.3 billion/month during July-August 2024, higher than the Q1 FY2025 monthly average of $13.2 billion.
- In monthly terms, services trade surplus eased to $13.9 billion in August 2024 from $14.7 billion in July 2024, while remaining slightly above the surplus of $13.6 billion seen in August 2023.
- **With a sharp enlargement in the merchandise trade deficit during July-August FY2025, ICRA expects the CAD to nearly double on a QoQ basis to ~2.0% of GDP in Q2 FY2025 from 1.1% of GDP in Q1 FY2025, while also exceeding the level seen in Q2 FY2024 (-1.3% of GDP).**

Outlook on CAD and INR for FY2025

CAD projected to widen to 1.1-1.2% of GDP in FY2025, while remaining manageable; INR to trade between 83.0-84.5/$ in near term

Cut in gold customs duty boosted imports in August 2024; gold imports to rise to $46-49 billion in FY2025, while price volatility remains a monitorable

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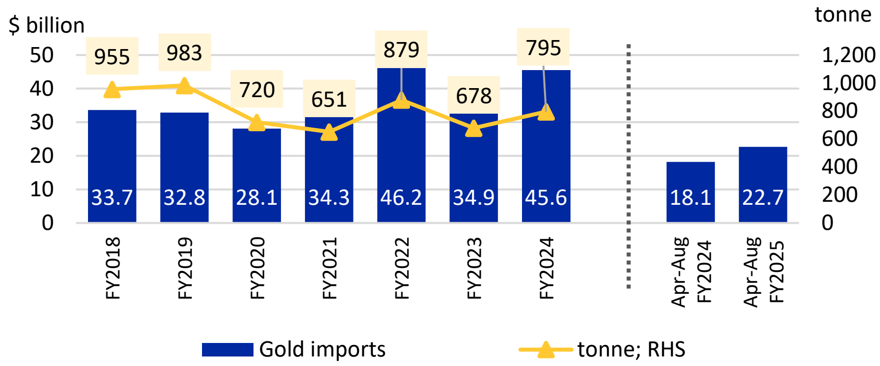
EXHIBIT: Trends in Gold prices

**till September 23, 2024; Source: WGC; CEIC, ICRA Research*

EXHIBIT: Annual trends in Gold imports

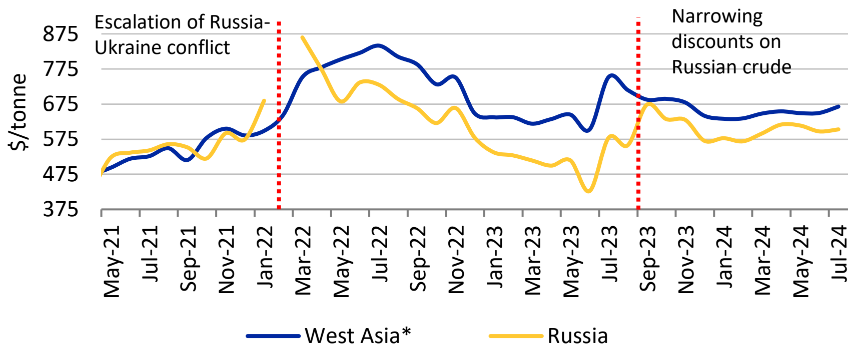


Source: Ministry of Commerce and Industry, GoI; ICRA Research

- The value of gold imports eased marginally by 1.9% to $9.5 billion in Q1 FY2025, with the sharp 18.2% YoY increase in prices (to $2,336/troy ounce) constraining volume growth in the quarter. Thereafter, such imports fell by 10.7% YoY to $3.1 billion in July 2024, before surging to a record monthly high of $10.1 billion in August 2024 (YoY: +104%) boosted by the sharp cut in the customs duty on gold (to 6.0% from 15.0%) announced in the Union Budget FY2025 as well as pre-festive demand.
- Gold prices have surged to a record-high of $2,650.9/troy ounce as on September 23, 2024, after the 50 bps rate cut by the US Fed as well as ongoing geopolitical tensions (average of $2,395.3/troy ounce in July 2024). **The expectations of further rate cuts by the US Fed could push up prices in the remainder of the fiscal, which could impact the demand for gold and restrict the value of gold imports.**
- **While the current monsoon trends augur well for the rural demand for gold, with a lower number of auspicious days in FY2025 (62 days) relative to FY2023 (>80 days) and FY2024 (68 days), there is likely to be higher seasonality in demand in the current fiscal. Overall, ICRA estimates gold imports at $46-49 billion in FY2025 ($45.5 billion in FY2024), with the volatility in prices remaining a key monitorable.**

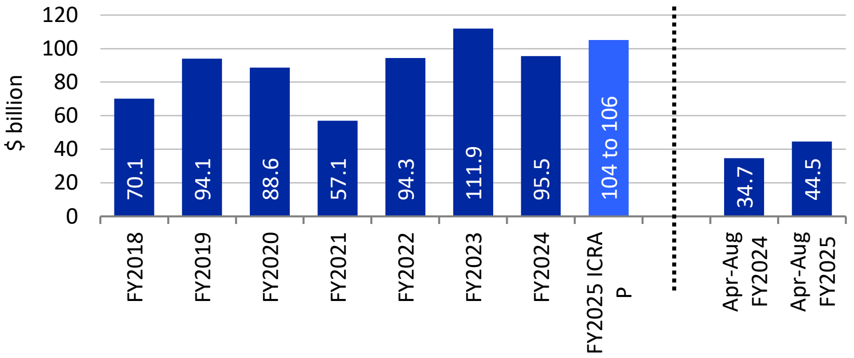
Net oil import bill expected to widen to $104-106 billion in FY2025, amid lower discounts on purchase of Russian crude

EXHIBIT: Monthly imputed prices of India's crude petroleum imports from West Asia and Russia



**West Asian countries used for our analysis: Saudi Arabia, the UAE and Kuwait; Source: CMIE; Ministry of Commerce and Industry; ICRA Research*

EXHIBIT: Trends in net oil imports*



Note: computed as POL imports – POL exports: P: Projected; Source: Ministry of Commerce and Industry; CEIC; ICRA Research*

- After rising by 23.0% in Q1 FY2025, India's oil imports declined by 11.4% YoY to $24.9 billion during July-August FY2025, partly owing to a lower crude oil prices (-2.6% YoY to $81.2/bbl in July-August; +9.4% in Q1), amid demand concerns in the US and China. Overall, the country's net oil import bill has increased by 15.7% to $13.7 billion during July-August FY2025, albeit lower than the 35.2% uptick seen in Q1 FY2025.
- Notably, the average discount on Russian crude vis-à-vis West Asian crude grades has moderated to 7% during April-July FY2025 from 14% seen in FY2024. In the absence of discounted crude petroleum imports from Russia, the net oil import bill would have stood at ~$41 billion during April-July FY2025 vs. actual discounted value of $39.5 billion. **Going forward, the continuation of lower discounts from Russian crude and an escalation of the ongoing geopolitical tensions could boost crude prices, and hence, India's oil import bill in the remainder of FY2025.**
- **Overall, ICRA expects the value of oil imports to rise by a muted 1-2% in FY2025 (-14.2% in FY2024). We expect the net oil import bill to widen to $104-106 billion in FY2025 from $95.5 billion in FY2024.**

Merchandise trade deficit expected to enlarge in FY2025, owing to sharper uptick in imports vis-à-vis exports

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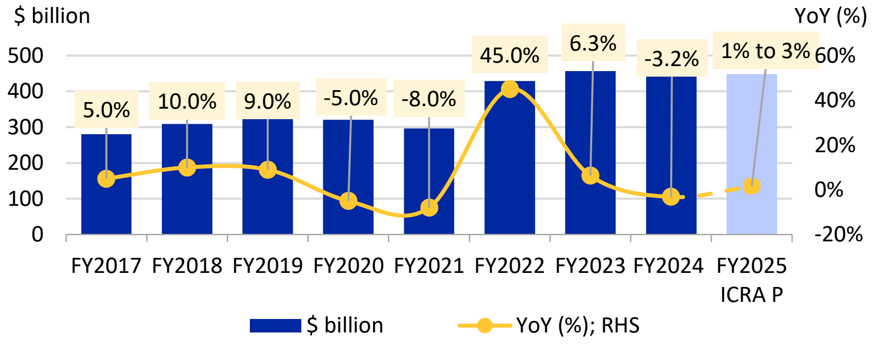
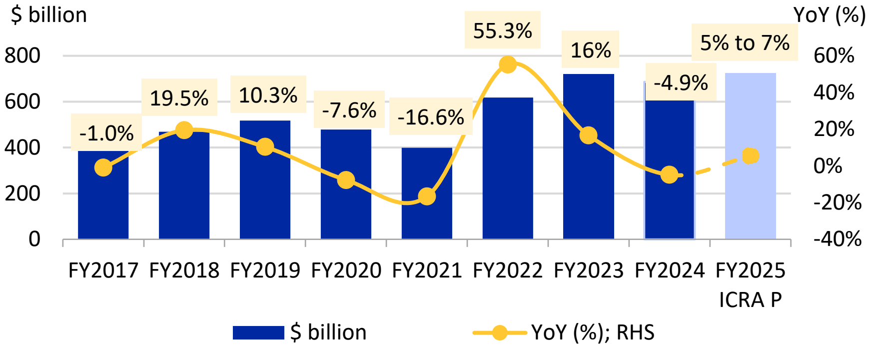
EXHIBIT: Annual trends in merchandise exports



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

EXHIBIT: Annual trends in merchandise imports

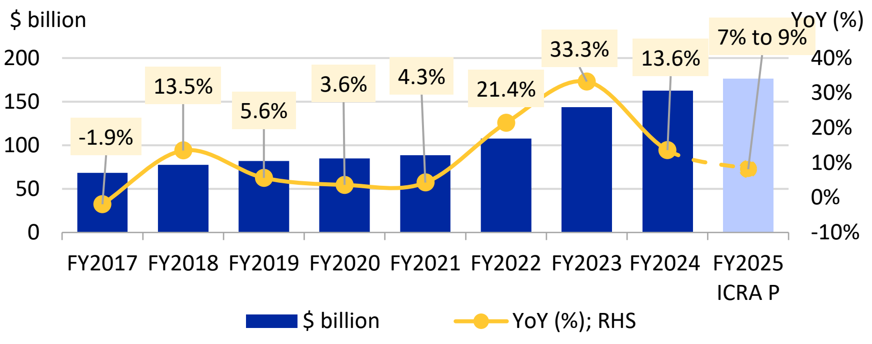


P: Projected; Source: RBI; CEIC; ICRA Research

- India's merchandise exports are projected to rise by a tepid 1-3% to $446-449 billion in FY2025 from $441.4 in FY2024, amid sluggish global demand. Moreover, an escalation of the Red sea crisis and its impact on shipping timelines and freight prices could impact India's merchandise trade, which remains a key monitorable in the near term.
- Additionally, ICRA foresees India's merchandise imports to rise by a sharper 5-7% to $721-724 billion in FY2025 from $686.3 billion seen in FY2024, partly owing to a healthy domestic demand. Moreover, the surge seen in gold imports in August 2024 is unlikely to sustain over the coming months. Consequently, ICRA expects the monthly merchandise trade deficit figures to ease in Q3 FY2025.
- **Overall, ICRA currently expects the merchandise trade deficit to widen to $273-276 billion in FY2025 from $244.9 billion in FY2024, based on the premise of a stronger growth in domestic demand vis-à-vis external demand.**

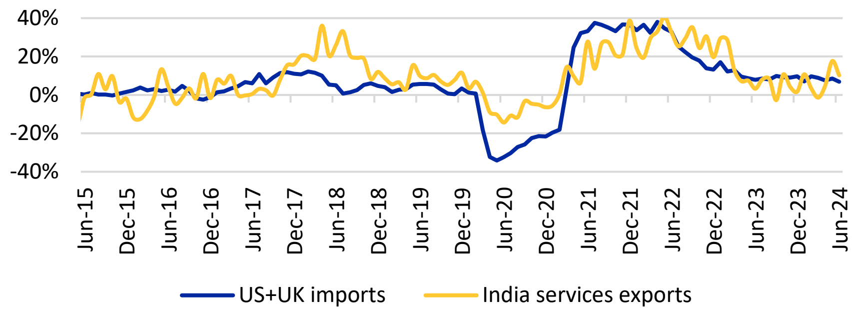
Services trade surplus expected to rise to $172-174 billion in FY2025 from $163 billion in FY2024

EXHIBIT: Annual trends in services trade surplus



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

EXHIBIT: YoY growth in aggregate commercial services imports of the US and the UK

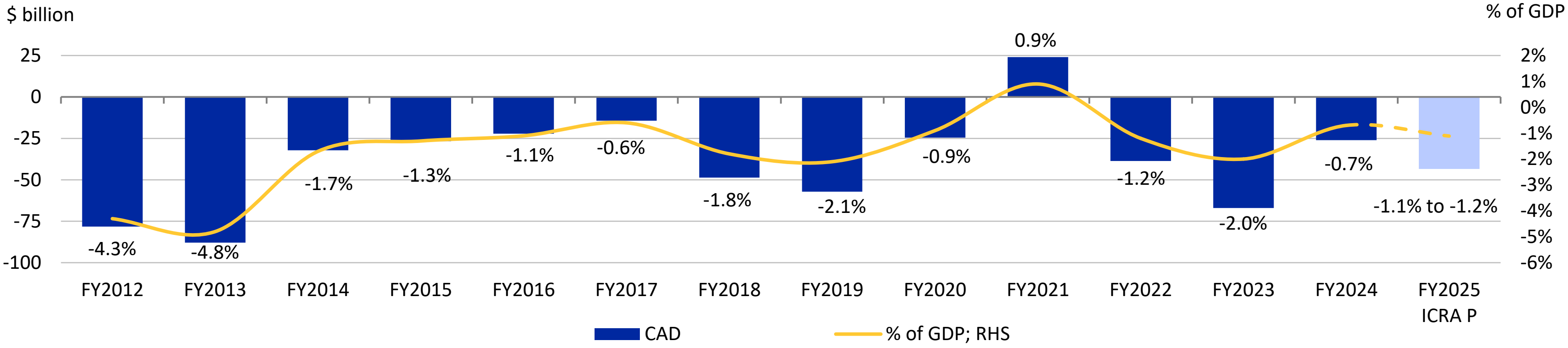


Source: RBI; WTO; ICRA Research

- The YoY expansion in India's services exports (+10.2% to $149.4 billion during April-August 2024) outpaced that in such imports (+9.1% YoY to $81.1 billion) during April-August 2024. Consequently, the services trade surplus increased by 11.6% to $68.3 billion during April-August 2024 from $61.2 billion in the year-ago period.
- The YoY growth in the aggregate commercial services imports of the US and the UK remained healthy at 7.7% in Q1 FY2025 (+8.9% in FY2024) as per the WTO data. A continued growth in the same range in FY2025 would support a similar growth in India's services exports.
- **Overall, ICRA anticipates the exports of IT services to remain tepid in FY2025 amid expectations of a muted 4-6% growth in revenues in ICRA's sample set of companies, similar to that seen in FY2024, owing to persistent uncertainty in the key markets of the US and Europe that together constitute 80-90% of the industry's revenue. However, the export performance of non-IT services like global capability centres (GCCs) may continue to remain healthy in FY2025, as was the case in the previous fiscal. Overall, ICRA estimates the services trade surplus to rise to $172-174 billion in FY2025 from $163 billion in FY2024.**

CAD projected to rise to 1.1-1.2% of GDP in FY2025, while remaining manageable

EXHIBIT: Trends in Current Account Deficit ($ billion; % of GDP)



**P: Projected; Data labels correspond to CAD as % of nominal GDP; ICRA's nominal GDP Proj. has been used for FY2025; Source: RBI; CEIC; ICRA Research*

- Overall, **ICRA projects the CAD to rise sharply to $42-45 billion in FY2025 from $26.0 billion in FY2024. Nevertheless, as a proportion of GDP, the CAD is likely to remain manageable at 1.1-1.2% (-0.7% in FY2024).**
- **While the cut in gold customs duty poses an upside to risk to these estimates, the impact of the same is likely to be limited.**

USD/INR pair to trade between 83.0-84.5/$ in near term

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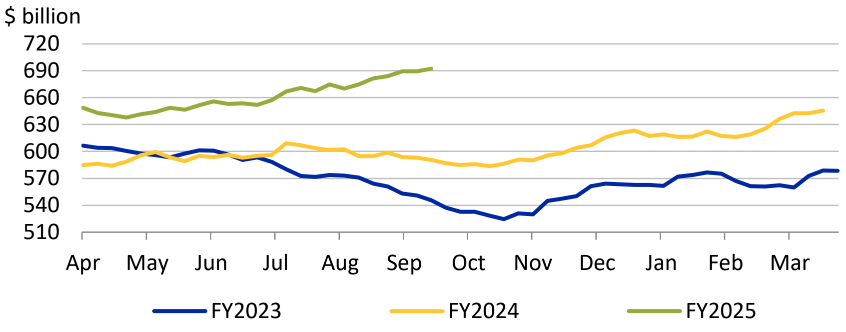
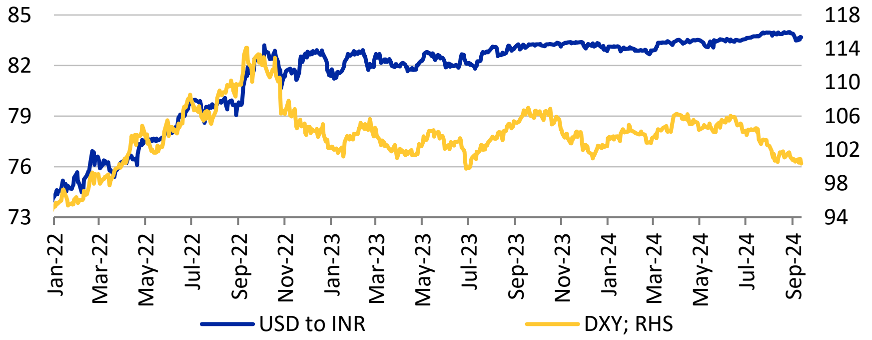
EXHIBIT: India’s Foreign Exchange Reserves



Source: RBI; ICRA Research

EXHIBIT: Movement in USD/ INR reference rate and DXY



Source: RBI; FBIL; CEIC; ICRA Research

- India’s foreign exchange reserves have been on an upward trajectory since end-July 2024 and rose to a record-high of $692.3 billion as on September 20, 2024 from $667.4 billion as on July 26, 2024. Overall, reserves have risen by $40.3 billion in Q2 FY2025 so far (up to September 20), in contrast to the decline of $4.3 billion recorded in the corresponding period of FY2024. Additionally, the build up in reserves in Q2 FY2025 so far (up to September 20) is also likely to have been supported by valuation gains with the DXY (to 100.72 on September 20 from 105.87 on June 28) and the 10-year UST (to 3.74% from 4.40%) witnessing a sharp fall during this period. ICRA believes that the financial flows were more-than-sufficient to finance the CAD, which is expected to widen in Q2 FY2025.
- Amid the weakness seen in most Asian currencies, the USD/INR pair depreciated from 83.87/$ seen at end-August 2024 to touch a record-low of 83.98/$ on multiple days in September 2024, before appreciating to 83.49/$ towards the latter part of the month. Additionally, the DXY has declined marginally by 1.3% to 100.4 on September 27, 2024 from 101.7 at end-August 2024 amidst a rate cut of 50 bps by the US Fed rate on September 18, 2024.
- **Although ICRA expects the INR to trade between 83.0-84.5/$ in the near term, an escalation in geopolitical conflicts and/or unexpected global political and economic developments, that lead to volatility in global financial markets, could exert some pressure on the Indian currency. Nevertheless, ICRA believes that the extent of volatility in the USD/INR pair is likely to be contained, as witnessed over the last few quarters.**

Annexure

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EXHIBIT: Trends in India's Current account

Figures in $ billion	Q1 FY2024	Q2 FY2024	Q3 FY2024	Q4 FY2024	Q1 FY2025	Q2 FY2025 ICRA P	FY2021	FY2022	FY2023	FY2024	FY2025 ICRA P
Merchandise Exports	104.9	108.3	106.6	121.6	111.2	104 to 106	296.3	429.2	456.1	441.4	446 to 449
Merchandise Imports	161.6	172.8	178.3	173.6	176.3	181 to 183	398.5	618.6	721.4	686.3	721 to 724
Merchandise Trade Balance	***-56.7***	***-64.5***	***-71.6***	***-52.0***	***-65.1***	***-75 to -78***	*-102.2*	*-189.5*	*-265.3*	-244.9	**-273 to -276**
Net Services	**35.1**	**39.9**	**45.0**	**42.7**	**39.7**	**42 to 43**	88.6	107.5	143.3	162.8	**172 to 174**
Primary Income	**-10.2**	**-11.6**	**-13.1**	**-14.8**	**-10.7**	**-12 to -14**	-36.0	-37.3	-45.9	-49.8	**-52 to -55**
Secondary Income	**22.9**	**24.9**	**29.3**	**28.7**	**26.4**	**25 to 27**	73.6	80.5	100.9	105.9	**111 to 114**
Current Account Balance	***-8.9***	***-11.3***	***-10.4***	***4.6***	***-9.7***	***-17 to -20***	*+24.0*	*-38.7*	*-67.0*	-26.0	**-42 to -45**
Percentage of GDP	**-1.0%**	**-1.3%**	**-1.1%**	**0.5%**	**-1.1%**	**-2.0%**	+0.9%	-1.2%	-2.0%	-0.7%	**-1.1% to -1.2%**

EXHIBIT: Trends in India's Financial flows

Figures in $ billion	Q1 FY2024	Q2 FY2024	Q3 FY2024	Q4 FY2024	Q1 FY2025	FY2021	FY2022	FY2023	FY2024
Financial flows	**33.8**	**12.9**	**17.4**	**25.5**	**14.3**	**64.7**	**85.9**	**59.0**	**89.5**
Direct investment	4.7	-0.8	4.0	2.3	6.3	44.0	38.6	28.0	10.1
Portfolio investment	15.7	4.9	12.0	11.4	0.9	36.1	-16.8	-5.2	44.1
Financial derivatives	-0.7	-1.9	-2.1	-3.2	-3.6	-4.8	-6.4	-5.4	-7.9
Other investment*	14.1	10.6	3.5	15.0	10.7	-10.6	70.5	41.5	43.2

**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 FY2025; Source: RBI; ICRA Research*

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Thank You!