

# Current account deficit widens to 2.9% in Q2

Trade deficit rises to \$50 bn compared with \$32.5 bn a year ago: RBI

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Current account deficit (CA) widened to 2.9% of GDP for the July-September quarter due to higher trade deficit compared with 1.1% during the same period of the previous year, the Reserve Bank of India said on Friday.

The deficit for the second quarter was \$19.1 billion compared with \$6.9 billion in the year-earlier period. The CAD for the April-June quarter was 2.4% of GDP or \$15.9 billion.

The widening of CAD on a year-on-year basis was primarily on account of a higher trade deficit at \$50 billion compared with \$32.5 billion a year ago, the central bank said.

“The deficit widened due to sharp rise in oil prices. But now prices have corrected

## Widening gap

Current account deficit as % of GDP

QUARTER ENDED	Sept 2018	2.9
	June 2018	2.4
	March 2018	1.9
	Dec. 2017	2.0
	Sept. 2017	1.1
FISCAL YEAR	2017-18	1.9
	2016-17	0.6
	2015-16	1.1
	2014-15	1.3
	2013-14	1.7

31% from peak levels. Exports also picked up after rupee weakened against the dollar.

“So, I do not think the current account deficit will stay as high as this for the full year,” said Rupa Rege Nitsure, group chief economist,

L&T Finance Holdings.

Private transfer receipts, mainly representing remittances by Indians employed overseas, was \$ 20.9 billion, increasing by 19.8% from their level a year ago.

“In the financial account, net foreign direct investment at \$7.9 billion in Q2 of 2018-19 moderated from \$12.4 billion in Q2 of 2017-18,” RBI said.

Portfolio investment recorded net outflow of \$1.6 billion in Q2 of 2018-19 – compared with an inflow of \$2.1 billion in Q2 last year – on account of net sales in both the debt and equity markets. Net receipts on account of non-resident deposits increased to \$3.3 billion in Q2 of 2018-19 from \$0.7 billion a year ago. The RBI said in the second quarter, there was a depletion of \$1.9

billion of foreign exchange reserves (on BoP basis) as against an accretion of \$9.5 billion in Q2 of 2017-18.

### Arresting rupee fall

The central bank had intervened in the currency market by selling dollars to arrest the sharp fall in rupee. In 2018 till October, the rupee had weakened 15% against the dollar but reversed trend in November as oil prices softened. Latest data released on Friday showed foreign exchange reserves increased by \$ 932.8 million to \$393.718 billion in the week to November 30.

Overall, the country's balance of payments was in deficit of \$1.9 billion in the July-September quarter as compared with a surplus of \$9.5 billion in the year ago period.