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Outlook on Current Account Deficit

Despite lower-than-expected CAD in Q1 FY2023, full-year FY2023 print to exceed 3.0% of GDP for the first time since 2013

SEPTEMBER 2022

Highlights

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India's CAD rose a 38-quarter high of US$23.9 billion (2.8% of GDP) in Q1 FY2023, but trailed our expectations

Q2 FY2023 CAD to widen to 4.2-4.8% of GDP, followed by a dip in H2 owing to softer commodity prices, seasonally stronger exports

FY2023 CAD to print at 3.1% of GDP

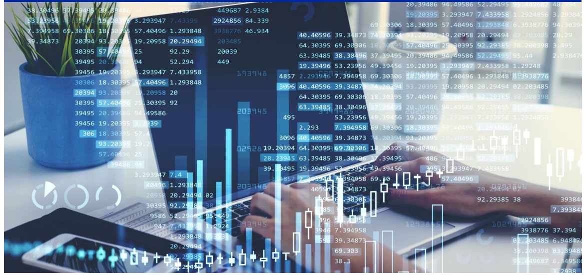
INR may trade between 80.0-83.0/US$ in the rest of CY2022 amidst a continued uptrend in DXY

- While India's current account deficit (CAD) widened to a 38-quarter high of US$23.9 billion (2.8% of GDP) in Q1 FY2023, owing to a record merchandise trade deficit, it was significantly lower than our expectations on account of a positive surprise in goods, services and secondary income balances.
- Surprisingly, India received net financial flows of US$28.0 billion in Q1 FY2023 after witnessing outflows in Q4 FY2022. Continued large FPI outflows in the quarter were more than offset by higher inflows from banking capital, trade credit and other accounts receivable/payable.
- The turnaround in financial flows in Q1 FY2023 vis-à-vis Q4 FY2022 comfortably offset the surge in the CAD between these two quarters, leading to an accretion to reserves in BoP terms amounting to US$4.6 billion in Q1 FY2023. This was in contrast with the US$18.2 billion decline in India's foreign exchange reserves in the quarter, which was driven by a downward revaluation in reserves.
- We project the CAD to widen to US$35-40 billion in Q2 FY2023, or 4.2-4.8% of GDP. However, we are cautiously optimistic that the CAD will ease to ~2.6% of GDP in H2 FY2023, owing to softer commodity prices and seasonally stronger exports, although a potential recession in major economies may dampen merchandise and services exports in H2 FY2023.
- Overall, we expect the CAD to touch a record-high of US$105-110 billion in FY2023 (3.1% of GDP), exceeding 3.0% of GDP for the first time since FY2013. We have pared our forecast from US$120 billion or 3.5% of GDP, following the positive surprise in the Q1 FY2023 data.
- While the erosion in the forex reserves would constrain the pace of the RBI's intervention going ahead, relative to Q2 FY2023, intervention is likely to continue to enable the INR to adjust gradually, given the renewed comment from the RBI Governor on anchoring expectations around the INR. Based on this and a likely continuation of the uptrend in the DXY, we expect the INR to trade between 80.0-83.0/US$ in the remainder of CY2022, amidst the global headwinds.

Outline

1 Developments in India's Balance of Payments during Q1 FY2023

2 Preliminary trends for Jul-Aug 2023 and ICRA's Q2 FY2023 proj.



3 Outlook on CAD and INR

Developments in India's BOP in Q1 FY2023

Lower-than-expected current account deficit, strong financial flows led to an accretion to reserves in Q1 FY2023

Current account deficit at 38-quarter high of US$23.9 billion in Q1 FY2023 but significantly lower than expectations

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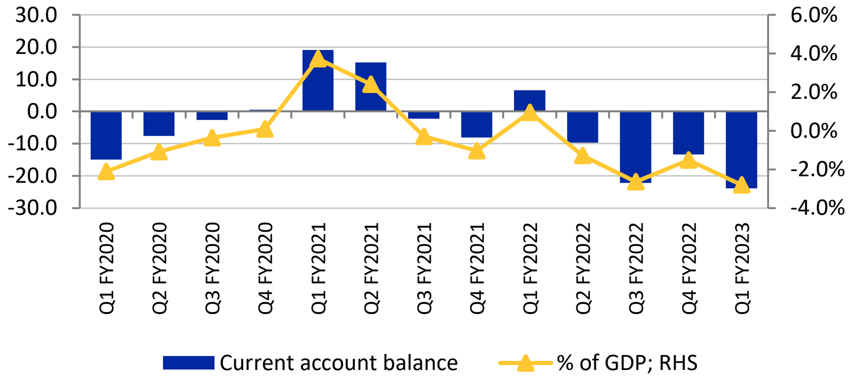
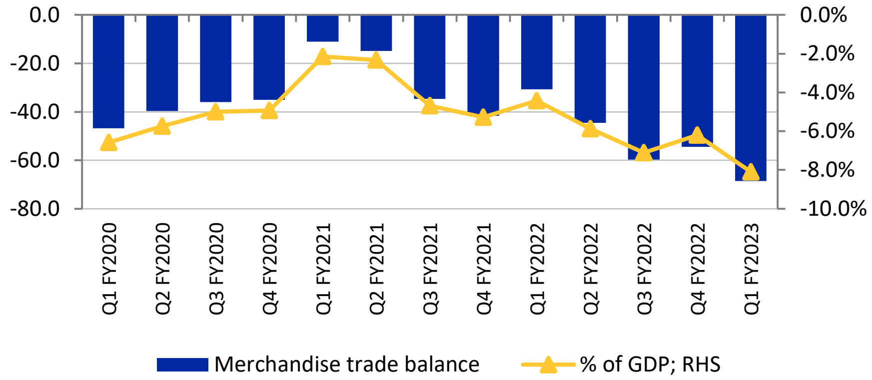
EXHIBIT: Current Account Balance – US$ billion and % of GDP



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

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

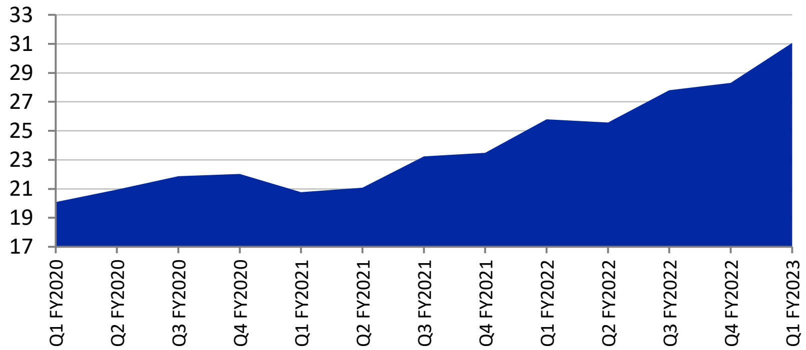


"-"denotes outflows and vice versa; Source: RBI; ICRA Research

- With a widening of the merchandise trade deficit, India reported a CAD of US$23.9 billion in Q1 FY2023 (-2.8% of GDP), as opposed to the surplus of US$6.6 billion in Q1 FY2022 (+0.9% of GDP). The size of the CAD in Q1 FY2023 was much larger than the US$13.4 billion seen in Q4 FY2022 (-1.5% of GDP) and was also the highest since Q3 FY2013. However, it trailed our forecast of US$30 billion, with a positive surprise in the goods, services and secondary income balances.
- On a YoY basis, the merchandise trade deficit surged to an all-time high of US$68.6 billion in Q1 FY2023 from US$30.7 billion in Q1 FY2022, with a sharper rise in imports (+49.4%) relative to exports (+26.2%) amid a relatively robust domestic demand.
  - While the imports of petroleum, crude and products (+96.2%; to US$60.6 bn in Q1 FY2023 from US$30.9 bn in Q1 FY2022) almost doubled in Q1 FY2023 on account of a 62% YoY surge in oil prices (Indian basket), those of non-oil non-gold items grew by 43.8%, as per the data released by Ministry of Commerce and Industry. Gold imports rose by 33% YoY to US$10.5 billion from US$7.9 billion, respectively, benefitting from healthy *Akshaya Tritiya* demand.
  - The YoY growth of oil exports (+94.7%) sharply outpaced that of non-oil items (+13.6%) in Q1 FY2023.

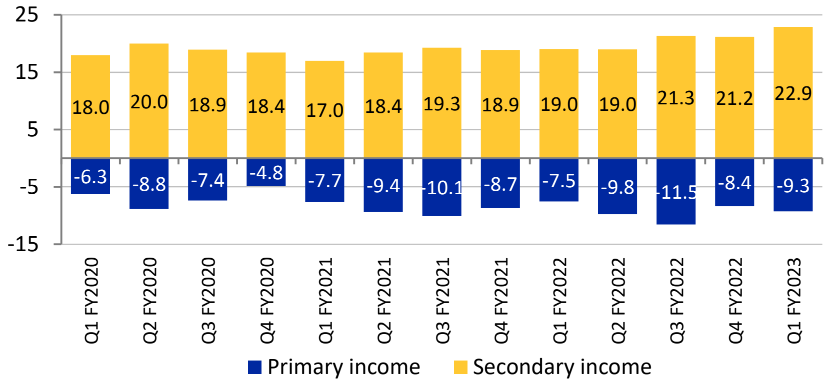
Services trade surplus and secondary income surged to all-time highs in Q1 FY2023, while primary income outflows widened

EXHIBIT: Services Trade Account - Net Flows– US$ billion



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

EXHIBIT: Secondary and Primary Income Account- Net Flows – US$ billion



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

- The services trade surplus surged to an all-time high US$31.1 billion in Q1 FY2023 from US$25.8 billion in Q1 FY2022, driven by the healthy increase in the net earnings related to telecom, communication and information (to US$31.1 billion from US$25.5 billion) and other business services (to US$3.4 billion from US$1.3 billion).
- On a similar note, the net inflows of secondary income also rose to an all-time high US$22.9 billion in Q1 FY2023 from US$19.0 billion in Q1 FY2022, led by personal transfers (to a record high US$23.2 billion from US$18.9 billion, partly stemming from an 11-quarter high workers' remittances).
- On the contrary, net outflows of primary income widened to US$9.3 billion in Q1 FY2023 from US$7.5 billion in Q1 FY2022, on account of higher outflows of net overseas investment income (to US$11.0 billion from US$9.1 billion).
- Overall, earnings from invisibles rose to an all-time high of US$44.7 billion in Q1 FY2023, from US$41.1 billion in Q4 FY2022 and US$37.3 billion in Q1 FY2022.

Financial flows more-than-sufficient to finance the CAD in Q1 FY2023 despite large FPI outflows, leading to accretion in reserves

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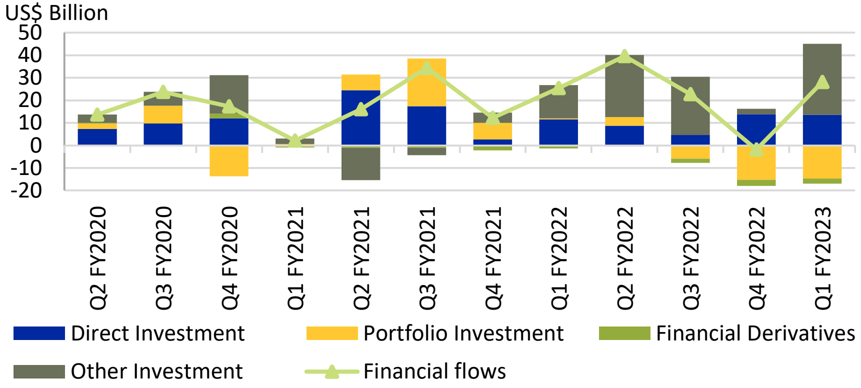
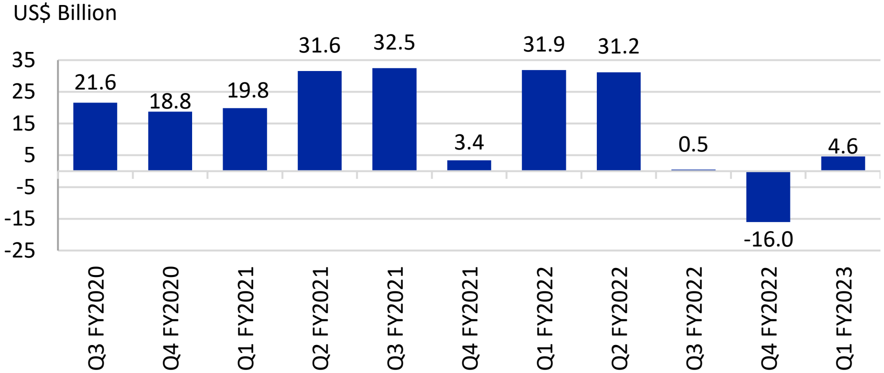
EXHIBIT: Trends in Financial flows to India



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

EXHIBIT: Trends in changes in India's reserve assets



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

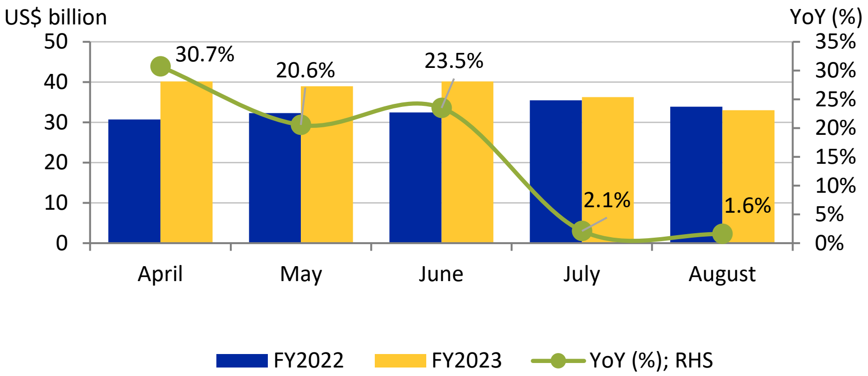
- India received net financial inflows of US$28.0 billion in Q1 FY2023 after outflows of US$1.8 billion in Q4 FY2022 despite continued large FPI outflows in the quarter. The inflows in Q1 FY2023 were even higher than those seen in Q1 FY2022 (US$25.4 billion).
  - FPIs outflows stood at US$14.6 billion in Q1 FY2023, similar to f US$15.2 billion in Q4 FY2022. While net FDI inflows were steady at US$13.6 billion in Q1 FY2023 (Q4 FY2022: +US$13.8 billion), the country witnessed net outflows of US$3.0 billion on account of external commercial borrowings (ECB; Q4 FY2022: +US$3.3 billion), as repayments exceeded fresh issuances in the quarter. The country received healthy inflows of banking capital (US$19.2 billion), trade credit (US$8.8 billion) and other accounts receivable/payable (US$ 4.8 billion) in Q1 FY2023, more-than-offsetting the FPI and net ECB outflows.
- The turnaround in financial flows in Q1 FY2023 vis-à-vis Q4 FY2022 comfortably offset the surge in the CAD between these two quarters, leading to an accretion to reserves of US$4.6 billion in Q1 FY2023. **This was in sharp contrast with the US$18.2 billion decline in India's foreign exchange reserves in the quarter, which was driven by a downward revaluation in reserves following the appreciation of the US dollar against the other reserve currencies.**

Preliminary trends for Jul-Aug 2022 and ICRA’s Q2 FY2023 outlook

CAD set to widen to ~4.2-4.8% of GDP in Q2 FY2023, with monthly average trade deficit in Jul-Aug 2022 trending higher than Q1 FY2023 levels

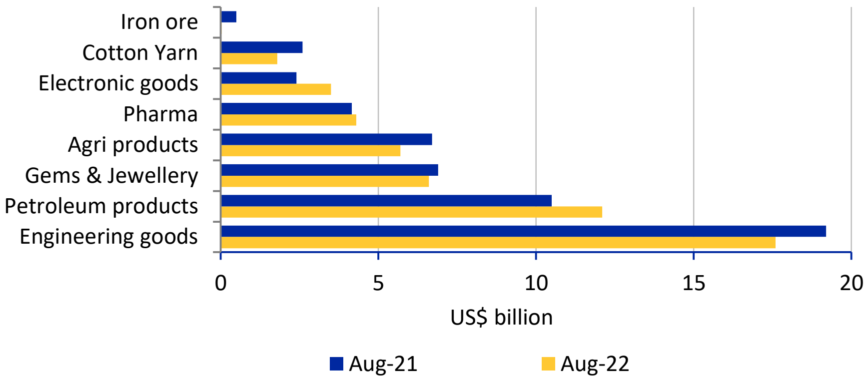
Merchandise exports grew by a lacklustre ~2% YoY in Jul-Aug 2022, amidst flagging external demand

EXHIBIT: India's merchandise exports (US$ billion; YoY%)



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

EXHIBIT: Performance of major export items in Aug 2021-22

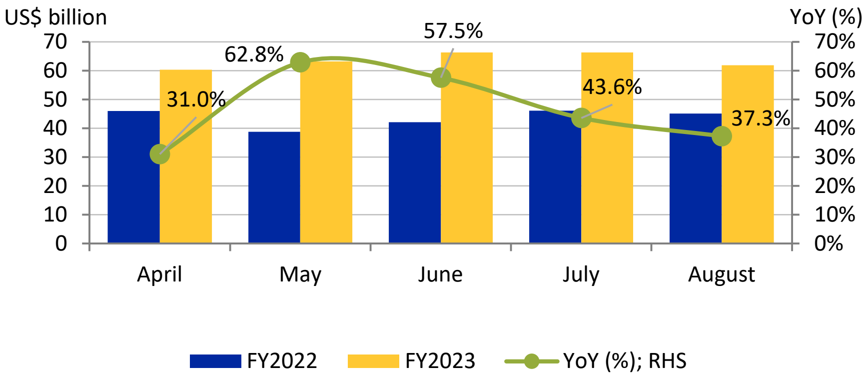


Source: Ministry of Commerce and Industry, GoI; ICRA Research

- India's merchandise exports grew by a muted 1.9% YoY to US$70.2 billion in July-August 2022 from US$68.9 billion in July-August 2021, on account of a slowdown in external demand amid fears of a recession. In monthly terms, exports slipped to a nine-month low of US$33.9 billion in August 2022, 6.5% lower than the US$36.3 billion seen in July 2022. The pace of YoY growth in July-August 2022 stood considerably lower than the 24.5% expansion in Q1 FY2023.
- In particular, non-oil exports contracted by 0.5% YoY to US$58.1 billion in July-August 2022, mainly driven by engineering goods (YoY: -8.2%; absolute change: -US$1.6 billion), followed by cotton (-30.2%; -US$0.8 billion), iron ore (-93.3%; -US$0.5 billion, after increase in excise duty), etc. This was partly offset by higher exports of items such as electronic goods (+48.4%; +US$1.2 billion) and agri products (+17.1%; +US$1.0 billion) during this period.
- On the contrary, oil exports rose by a healthy 15.2% to US$12.1 billion in July-August 2022 from US$10.5 billion in July-August 2021, amidst a ~42% surge in crude oil prices in the period.

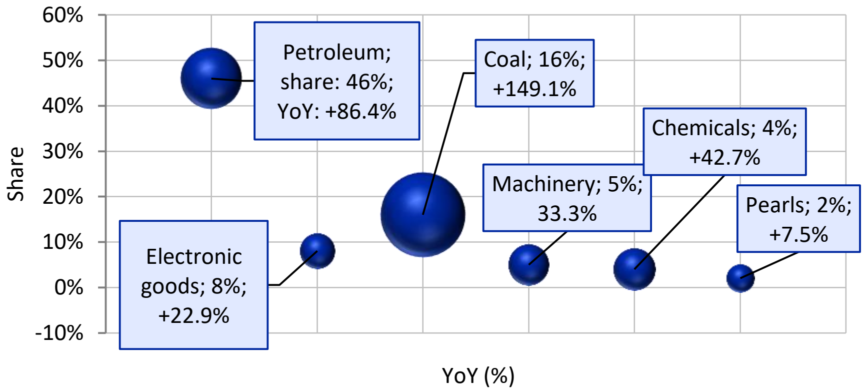
In contrast, merchandise imports expanded by a sharper ~40% YoY in Jul-Aug 2022, led by crude and coal

EXHIBIT: India's merchandise imports (US$ billion; YoY%)



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

EXHIBIT: Imports of Commodity Groups having major share in overall imports in Aug 2022 and their YoY growth rate



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

- India's merchandise imports reported a considerable YoY expansion of 40.5% to US$128.2 billion in July-August 2022 from US$91.2 billion in July-August 2021, benefitting from resilient demand, elevated commodity prices and higher imports of certain imports like coal to meet domestic requirements.
- In monthly terms, the YoY growth of imports moderated to 37.3% in August 2022 from 43.6% in July 2022, led by non-oil items.
- As much as 46% of the US$36.9 billion YoY increase in merchandise imports during July-August 2022 was on account of oil (YoY: +77.8%; by +US$17.0 billion), followed by ~16% on account of coal, coke and briquettes (YoY: +149.1%; by +US$5.8 billion). Other items such as electronic goods (+7.7%), electrical and non-electrical machinery (+5.3%), chemicals (+4.3%) and artificial resins, plastic materials, etc. (+4.1%) constituted 25.5% of the total rise in imports during this period.
- In contrast, gold imports contracted by 45.5% YoY to US$5.9 billion in July-August 2022, following the hike in the customs duty on gold to 15.0% from 10.75% on July 1, 2022, offering some relief.

Average monthly net oil imports surged in July-Aug 2022 from Q1 FY2023, following the imposition of export duty on petroleum products

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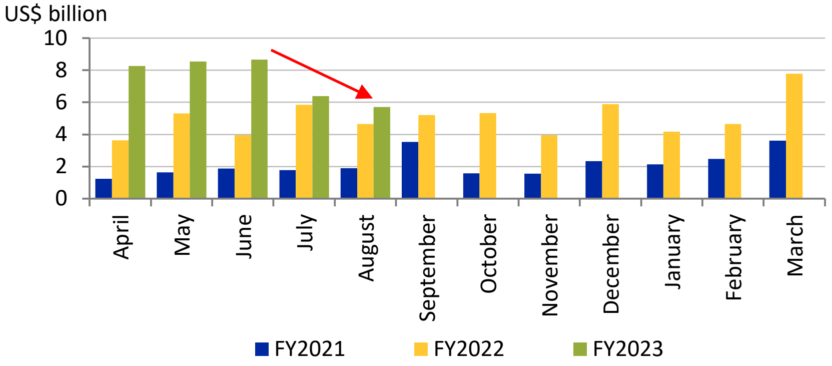
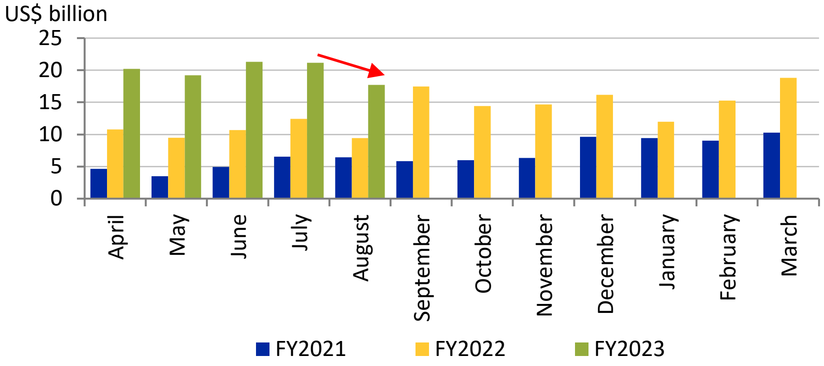
EXHIBIT: Monthly trends in oil exports



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

- Oil exports rose to US$12.1 billion in Jul-Aug 2022 from US$10.5 billion in the year-ago period. However, in monthly terms, such exports declined for the second consecutive month to US$5.7 billion (six-month low) in August 2022 from US$6.4 billion in July 2022.
- Moreover, the monthly average during July-Aug 2022 stood at US$6.0 billion, a sharp ~29% lower than the US$8.5 billion seen in Q1 FY2023, reflecting the impact of the export duty imposed on POL products by the GoI in July 2022.

EXHIBIT: Monthly trends in oil imports

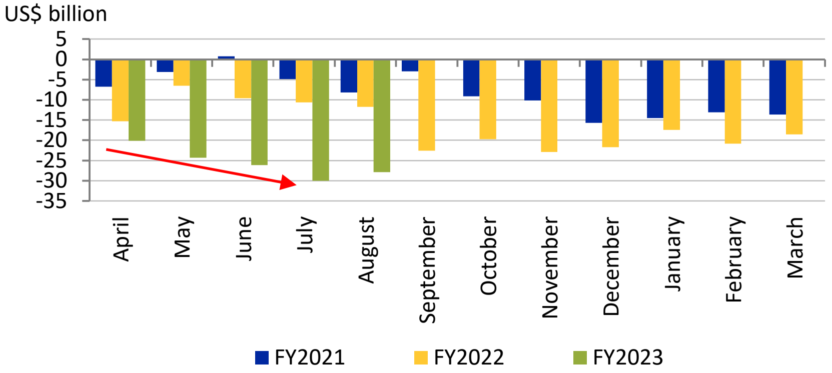


Source: Ministry of Commerce and Industry, GoI; ICRA Research

- Oil imports expanded to US$38.8 billion in Jul-Aug 2022 from US$21.8 billion Jul-Aug 2021 with higher crude oil prices (42%; YoY) and mobility.
- Relative to exports, the monthly average of these imports (US$19.4 billion) in Jul-Aug 2022 was a modest 4% lower than the levels of Q1 FY2023 (US$20.2 billion). Hence, monthly net oil imports averaged at US$13.4 in Jul-Aug 2022, much higher than the US$11.7 billion in Q1 FY2023.
- While the recovery in domestic mobility is expected to boost India's oil imports, any further dip in crude oil prices in conjunction with the impact of the export duty on POL products could temper the value of imports.

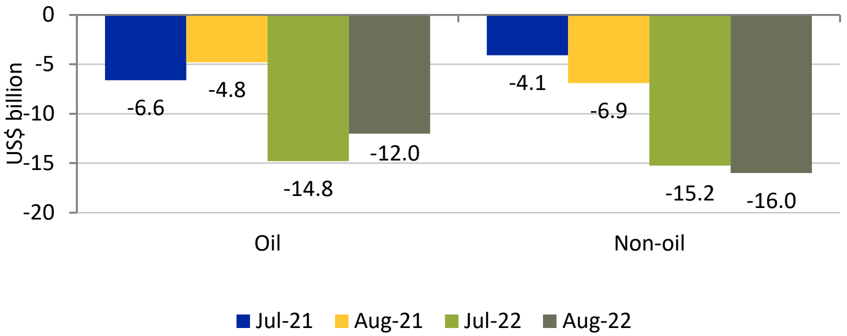
Merchandise trade deficit enlarged sharply in July-August 2022 in YoY terms

EXHIBIT: India's merchandise trade deficit (US$ billion)



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

EXHIBIT: Oil and Non-oil Trends for merchandise trade deficit



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

- With the growth of imports (+40.5%) sharply outpacing that of exports (+1.9%), the merchandise trade deficit enlarged to US$58.0 billion in July-August 2022 from US$22.3 billion in July-August 2021, with nearly 54% of the widening of deficit on account of non-oil items.
- In monthly terms, the deficit moderated modestly to US$28.0 billion in August 2022 from US$30.0 billion in July 2022, entirely driven by oil, even as the non-oil deficit rose to all-time highs in the month.
- Given the resilience in domestic demand, and hence, imports, amidst concerns regarding exports in the face of global slowdown fears, the merchandise trade deficit is likely to remain elevated relative to the year-ago levels; however, we are cautiously optimistic that it will temper in sequential terms going ahead, owing to lower commodity prices, change in coal blending norms as well as seasonally stronger exports.

Merchandise trade deficit expected to nearly double in Q2 FY2023 compared to year ago levels

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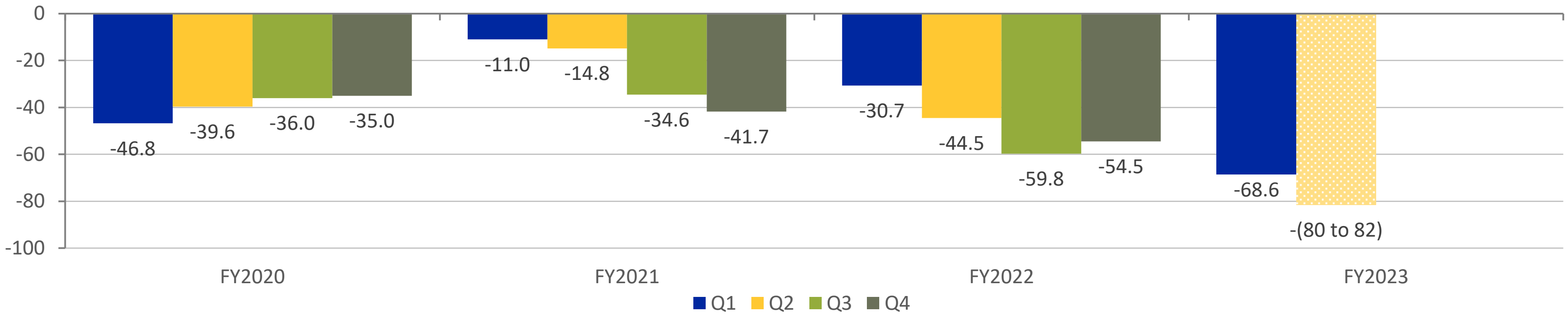
EXHIBIT: Quarterly trends of merchandise trade deficit (on BoP basis)



ICRA's proj for Q2 FY2023 includes preliminary estimates for July and Aug 2022, and our expectation for Sep 2022; Source: RBI; Ministry of Commerce and Industry; ICRA Research

- With imports remaining above US$60 billion and exports witnessing a sequential dip, the average monthly trade deficit is trending higher at US$29.0 billion in July-August 2022, relative to US$23.5 billion seen in Q1 FY2023, implying that the current account deficit is likely to widen further in the ongoing quarter from the levels seen in Q1 FY2023.
- **Based on preliminary trends for July-August 2022, and our expectation for September 2022, we project the merchandise trade deficit at a record US$80-82 billion in Q2 FY2023, nearly twice as high as the level seen in Q2 FY2022, and a worrying 19% higher than the US$68.6 billion recorded in Q1 FY2023.**

Services trade surplus rose in July-Aug 2022 vs. average monthly levels seen in Q1 FY2023; potential recession in major countries poses risk to exports in H2

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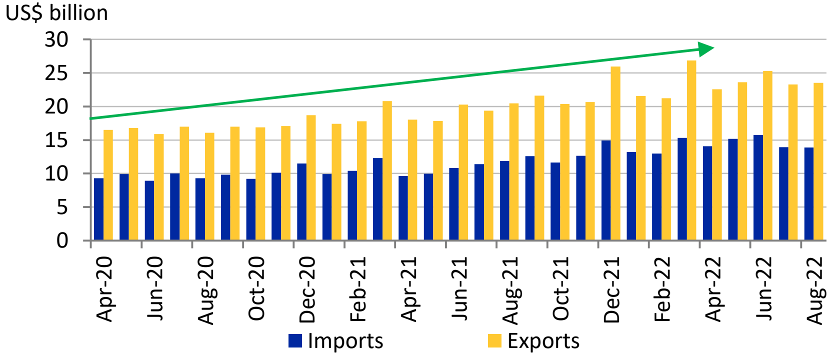
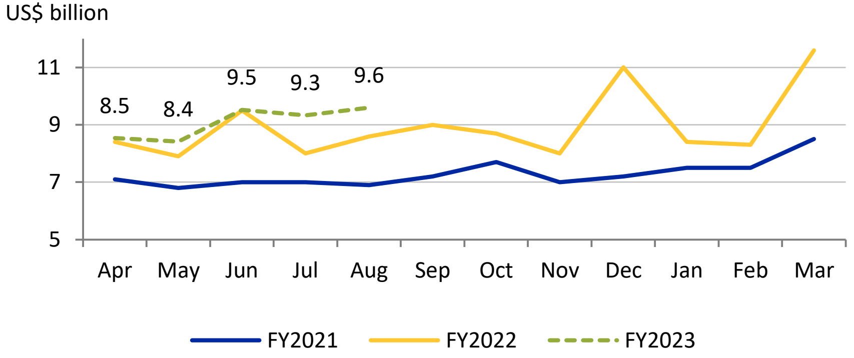
EXHIBIT: Services imports and exports (US$ billion)



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

EXHIBIT: Services trade balance (US$ billion)



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

- While services exports eased to a three-month low of US$23.3 billion in July 2022, trending a mild 2.4% lower than the Q1 FY2023 average (US$23.8 billion), this depicted a healthy YoY expansion of 20.2% in the month, on the back of sustained demand for IT services, as well as the low base.
- Similarly, services imports declined to five-month low US$13.9 billion (-7.2% over Q1 FY2023 average) in July 2022 but were 22.3% higher than year-ago levels.
- The initial estimates provided by the Ministry, which will be revised based on RBI's subsequent release, indicated a mild sequential uptick in the services trade surplus to US$9.6 billion in August 2022 from US$9.3 billion in July 2022, driven by exports. In YoY terms, both exports and imports witnessed a moderation to 15.1% and 17.5%, respectively, in August 2022 from 20.2% and 22.3%, respectively, in July 2022, on account of the unfavourable base effect.
- With a sharper decline in imports (-7%) vs. the exports (-2%) in July-August 2022, relative to the Q1 FY2023 average, services trade surplus rose to US$9.5 billion/month on an average from US$8.8 billion/month, respectively.

Current account deficit in Q2 FY2023 to print at 4.2-4.8% of GDP, similar to levels seen in Q1 FY2014

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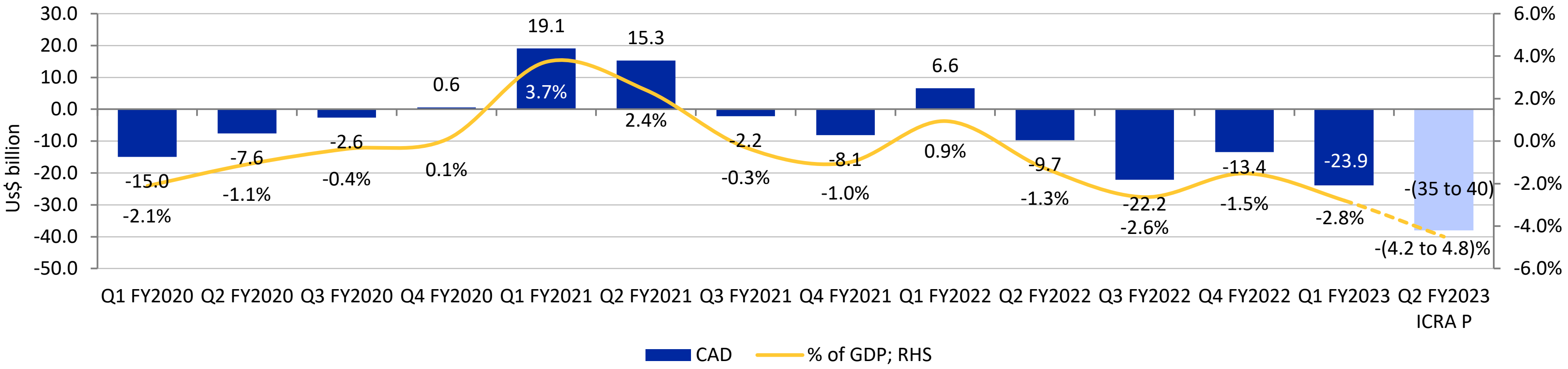
EXHIBIT: India's Current Account Deficit (US$ billion and % of GDP)



Source: RBI; ICRA Research

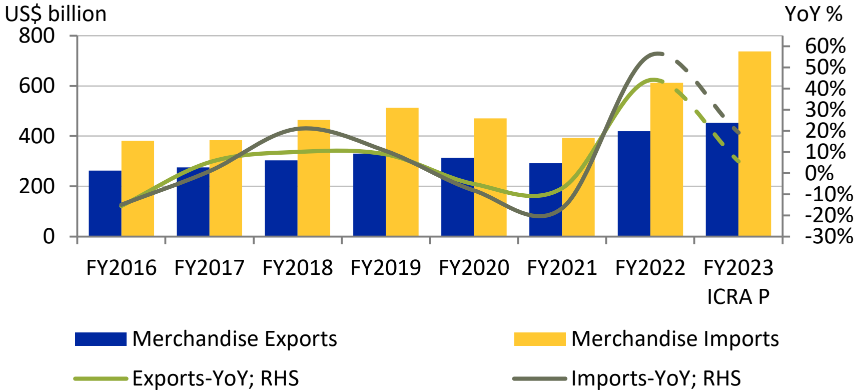
- **Based on preliminary trends for Jul-Aug 2022, and our expectation for Sep 2022, we project the current account deficit to widen further to US$35-40 billion in Q2 FY2023 from US$23.9 billon in Q1 FY2023.**
- **As a proportion of GDP, we peg the CAD at a concerning 4.2-4.8% in Q2 FY2023, similar to the 4.7% witnessed in Q1 FY2014.**

Outlook on CAD and INR

FY2023 CAD projected at 3.1% of GDP, with some moderation in H2 owing to commodity price correction and seasonal rise in exports

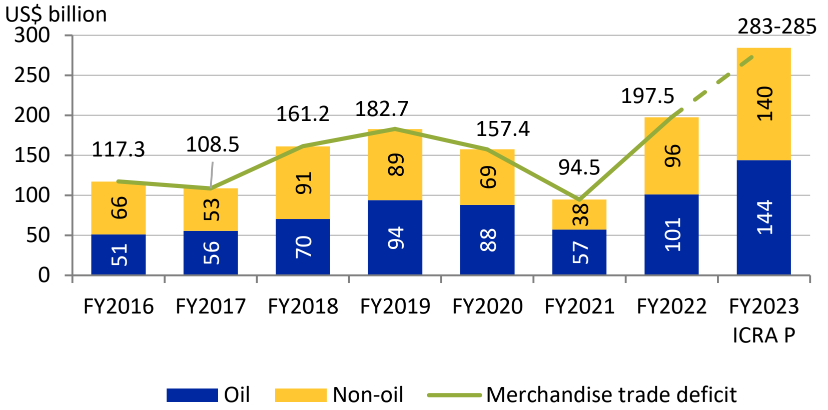
With a relatively stronger growth in imports vis-à-vis exports, merchandise trade deficit is likely to bloat to US$283-285 billion in FY2023

EXHIBIT: Annual Merchandise export and imports (US$ billion and YoY growth)



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

EXHIBIT: Annual oil, non-oil and merchandise trade deficit (US$ billion) and ICRA's forecasts for FY2023

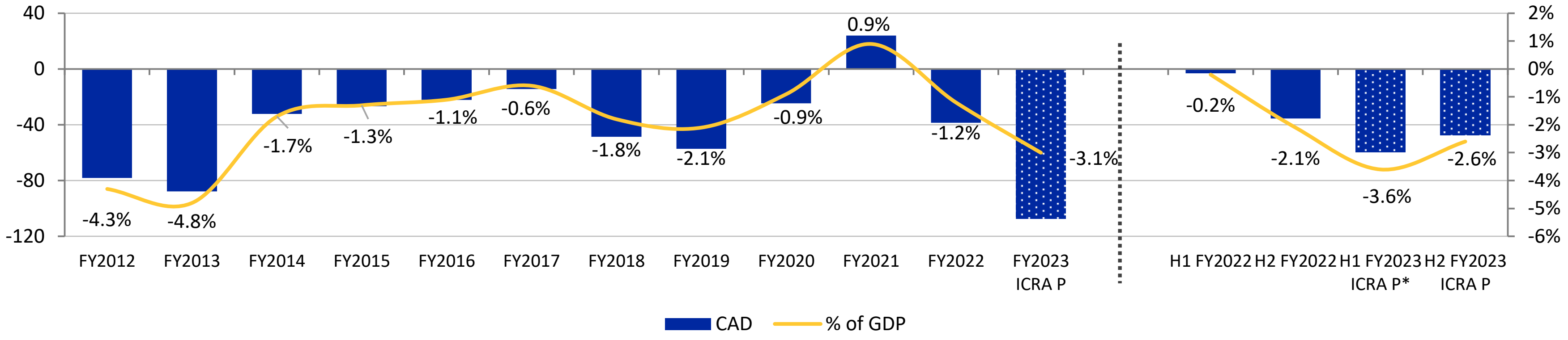


P: Projected; Source: Ministry of Commerce and Industry, GoI; ICRA Research

- ICRA estimates merchandise imports to surge by 19-20% at US$735-739 billion in FY2023 (US$611.9 billion in FY2022), aided by resilience in domestic demand, and higher imports of certain non-gold items such as coal to meet domestic requirements in the first half of the year.
- However, growth of merchandise exports is projected at a relatively lower 6-8% to US$452-454 billion in FY2023 from US$419.7 billion in FY2022, with slowdown in global growth amid Monetary Policy tightening and the imposition of export duties and restrictions on several commodities such as wheat, rice, sugar, iron ore, etc. The extent of the fall in the momentum of exports remains a key monitorable, going forward.
- Consequently, the merchandise trade deficit is set to bloat to ~US$283-285 billion in FY2023, from US$197.5 billion in FY2022, driven by both oil and non-oil segments.

FY2023 CAD projected at 3.1% of GDP, with some moderation in H2 relative to H1 FY2023

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



**P: Projected; Data labels correspond to CAD as % of nominal GDP; ICRA's nominal GDP Proj. has been used for FY2023; Source: RBI; CEIC; ICRA Research*

- While the sequential dip in commodity prices since mid-June 2022 and some reduction in the net volume of oil imports should temper the monthly merchandise trade deficit prints going ahead, the strength of merchandise and services exports in the face of the global slowdown fears, remains crucial. **We expect the merchandise trade deficit to widen to US$283-285 billion in FY2023 from US$197.5 billion in FY2022. The services surplus, on the other hand, is expected to rise to US$122-124 billion in FY2023 from US$107.5 billion in FY2022, on the back of robust exports and a weaker INR. However, a potential recession in the US, the UK and Europe may dampen software exports in H2 FY2023.**
- **We project the CAD at an all-time high of US$105-110 billion (3.1% of GDP) in FY2023, considerably higher than the US$38.7 billion (1.2% of GDP) in FY2022. Nevertheless, as a proportion of GDP, the FY2023 CAD is expected to be much lower than the levels seen in FY2013 (4.8% of GDP).**
- **On a sequential basis, the CAD is likely to moderate to ~2.6% of GDP in H2 FY2023, from the ~3.6% of GDP expected in H1 FY2023, benefitting from easing commodity prices and a seasonal uptrend in exports.**

INR weakened to all-time low 81.9/$ on Sep 28, 2022, amid strengthening DXY owing to expectations of aggressive tightening by the Fed

EXHIBIT: Movement in USD/INR exchange rate

Source: Bloomberg; RBI; ICRA Research

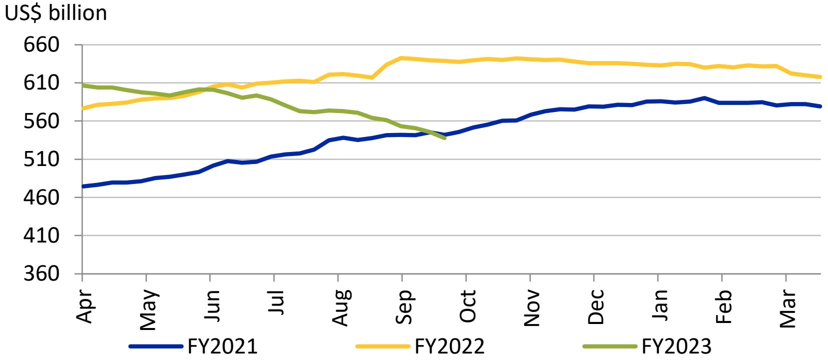
EXHIBIT: Trends in DXY

Source: Bloomberg; RBI; ICRA Research

- The INR has depreciated sharply relative to the US$ in the recent sessions following the rally in the latter after the 75 bps rate hike by the Fed in its policy meeting on September 21, 2022, with expectations of continued aggressive policy tightening going forward. The INR hit fresh all-time low 81.9/ US$ on Sep 28, 2022.
- The DXY has charted a robust uptrend in Sep 2022, touching 114 levels on Sep 27, 2022 for the first time in over 20 years, following the rate hike done by the Fed and upward revision in their forecasts for the terminal Federal funds rate. Subsequently, it moderated mildly to 112.8 as on Sep 29, 2022.
- In FY2023 so far, the depreciation in INR stood at 7.7% against the US dollar (till Sep 29, 2022), much lower than the sharp 14.7% rally in the dollar index that was seen during this period, revealing relatively strong underlying domestic fundamentals, as well as the market intervention by the RBI.

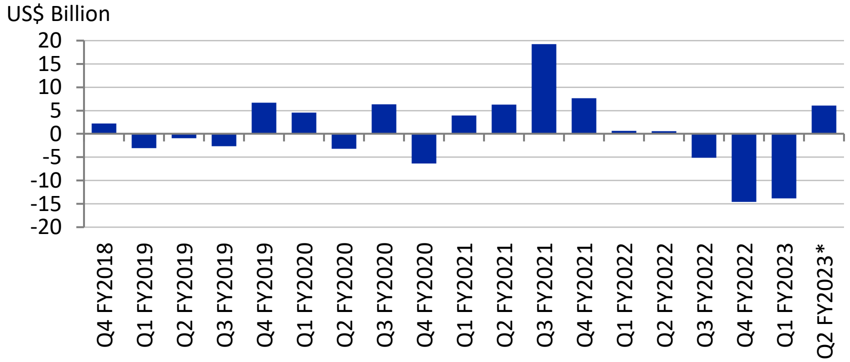
INR to trade between 80.0-83.0/US$ in rest of CY2022

EXHIBIT: Foreign exchange reserves



Source: RBI; ICRA Research

EXHIBIT: FPI flows-Equity segment



**As of Sep 29, 2022; Source: NSDL; ICRA Research*

- India's foreign exchange reserves have declined by US$69.8 billion in FY2023 so far (till Sep 23, 2022) to US$537.5 billion as on Sep 23, 2022, the lowest level since August 2020, with a relatively larger part of this fall being driven by revaluation vis-à-vis intervention. This resulted in a forex cover of the FY2023 expected imports (8.8 months; using ICRA's estimates) falling to below nine months as on Sep 23, 2022 (6.6 months during Sep 2013) for the first time since the beginning of the fiscal year.
- While the erosion in the forex reserves would constrain the pace of the RBI's intervention going ahead, relative to Q2 FY2023, intervention is likely to continue to enable the INR to adjust gradually, given the renewed comment from the RBI Governor on anchoring expectations around the INR.
- Based on this and a likely continuation of the uptrend in the DXY, we expect the INR to trade between 80.0-83.0/US$ in the remainder of CY2022, amidst the global headwinds.

RBI's measures likely to gradually increase foreign inflows; steps towards internationalisation of rupee effective over medium term

Measures announced by the RBI since July 2022

Exemptions for FCNR (B) and NRE deposits mobilized by banks

July 6, 2022

- Temporary withdrawal of interest rate ceiling applicable to incremental FCNR (B) and NRE deposits until Oct 31, 2022.
- Exemption for maintenance of CRR and SLR for FCNR (R) and NRE deposits

Relaxations for overseas foreign currency borrowings

July 7, 2022 and Aug 1, 2022

- Increase in automatic route limit to raise ECBs to US$1.5 billion from US$0.75 billion
- All-in-cost ceiling for ECBs raised by 100 bps till Dec 31, 2022, only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs)

Trade settlement in INR

July 11, 2022

- Additional arrangement for invoicing, payments, settlement of exports/imports in the INR; opening up of special INR vostro accounts, setting off of export receivables against import payables, etc.

Relaxations in FPI investments in debt segment

July 7, 2022

- Investments by FPIs in G-secs and corporate bonds made between July 08, 2022 and October 31, 2022 shall be exempted from the limit on short-term investments till maturity or sale of such investments.

Summary

FY2023 Outlook

Merchandise Trade	Merchandise Trade Balance	Services Trade Balance	Current Account Deficit	INR/USD
Exports in FY2023: US$452-454 billion YoY: +(6 to 8)% Imports in FY2023: US$735-739 billion YoY: +(19 to 20)%	Merchandise trade deficit in FY2023: US$283-285 billion YoY: +(50 to 51)%	Services trade surplus in FY2023: ~US$122-124 billion YoY: +14%	CAD: Q2 FY2023: US$35-40 billion; 4.2-4.8% of GDP H2 FY2023: US$46-50 billion; 2.6% of GDP FY2023: ~US$105-110 billion; 3.1% of GDP	INR: 80.0-83.0/US$ in remainder of CY2022

Annexure

EXHIBIT: Trends in India's Current account

Figures in US$ billion	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q1 FY2023	FY2021	FY2022	Q2 FY2023 ICRA P	FY2023 ICRA P
Merchandise Exports	97.4	104.8	108.9	118.0	123.0	296.3	429.2	105 to 107	452 to 454
Merchandise Imports	128.2	149.3	168.7	172.5	191.5	398.5	618.6	186 to 189	735 to 739
Merchandise Trade Balance	***-30.7***	***-44.5***	***-59.7***	***-54.5***	***-68.6***	***-102.2***	***-189.5***	***-80 to -82***	***-283 to -285***
Net Services	**25.8**	**25.6**	**27.8**	**28.3**	**31.1**	**88.6**	**107.5**	**31 to 33**	**122 to 124**
Primary Income	**-7.5**	**-9.8**	**-11.5**	**-8.4**	**-9.3**	**-36.0**	**-37.3**	**-9.0 to -10.0**	**-35 to -38**
Secondary Income	**19.0**	**19.0**	**21.3**	**21.2**	**22.9**	**73.6**	**80.5**	**22 to 24**	**89 to 91**
Current Account Balance	***+6.6***	***-9.7***	***-22.2***	***-13.4***	***-23.9***	***+24.0***	***-38.7***	***-35 to -40***	***-105 to -110***
Percentage of GDP	**+0.9%**	**-1.3%**	**-2.6%**	**-1.5%**	**-2.8**	**+0.9%**	**-1.2%**	**-4.2% to -4.8%**	**-3.1%**

EXHIBIT: Trends in India's Financial account

Figures in US$ billion	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q1 FY2023	FY2021	FY2022
Financial flows	**25.4**	**39.6**	**22.7**	**-1.8**	**28.0**	**64.7**	**85.9**
Direct investment	11.6	8.7	4.6	13.8	13.6	44.0	38.6
Portfolio investment	0.4	3.9	-5.8	-15.2	-14.6	36.1	-16.8
Financial derivatives	-1.3	-0.4	-1.9	-2.8	-2.4	-4.8	-6.4
Other investment*	14.8	27.5	25.9	2.4	31.5	-10.6	70.5

*****other investments include ECBs, banking capital, trade credit and advances, other accounts receivable/payable, etc; Source: RBI; ICRA Research*

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Thank You!