Chhavi Sachdeva
Economics Intelligence Cell

Macro Insights

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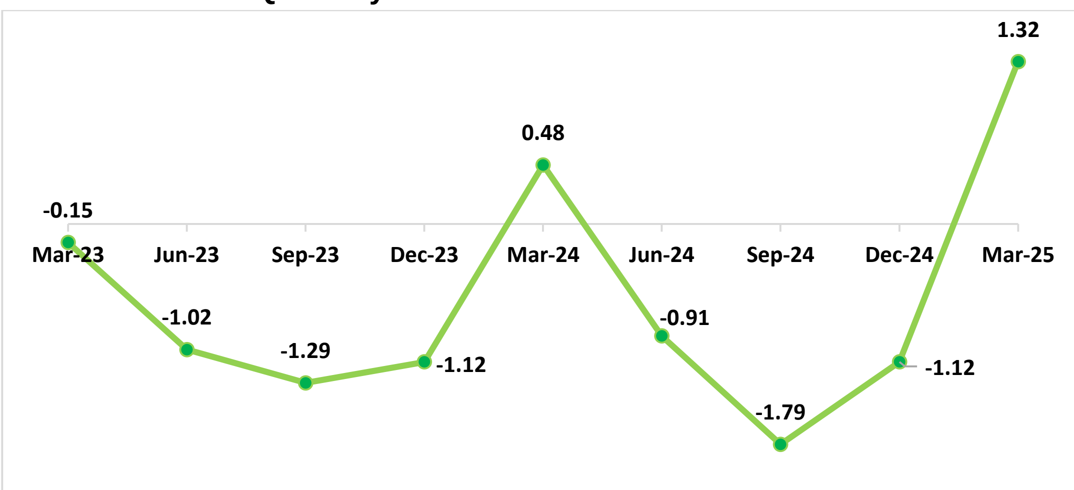
Key Takeaways: India's Balance of Payments (BoP) Q4'FY25 & FY'2024-25

❖ India's BOP Q4'FY25 – key takeaways

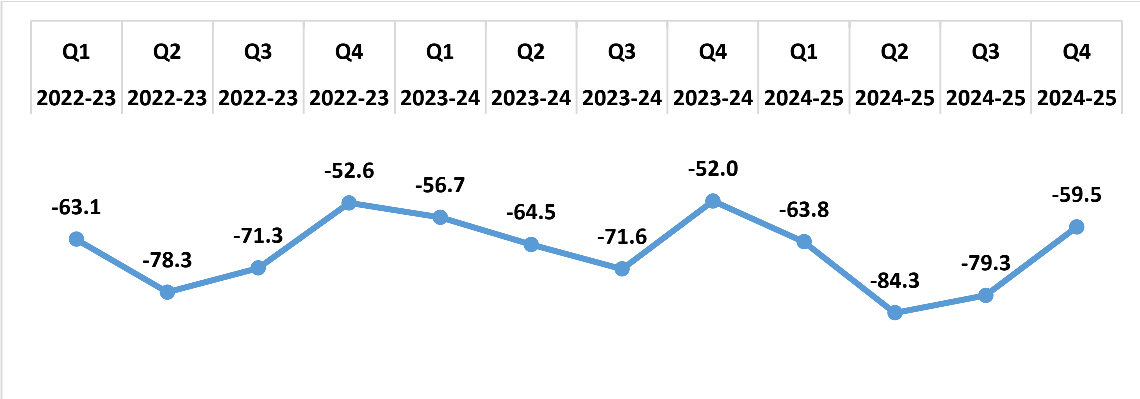
- India's current account balance recorded a surplus of US$ 13.5 billion (1.32 per cent of GDP) in Q4:2024-25 as compared with US$ 4.6 billion (0.48 per cent of GDP) in Q4:2023-24 and against a deficit of US$ 11.3 billion (1.12 per cent of GDP) in Q3:2024-25.
- The current account of India reported a surplus, indicating that India has stable external sector. Merchandise trade deficit also moderated as compared to the previous quarter. A significant jump in services receipts and strong remittances drove the current account surplus in Q4'FY25.

Chart: Quarterly Current Account Balance as % of GDP



- Net services receipts increased to US$ 53.3 billion in Q4:2024-25 from US$ 42.7 billion a year ago. Services exports have risen on a Y-o-Y basis in major categories such as business services and computer services.
- Net outgo on the primary income account, primarily reflecting payments of investment income, moderated to US$ 11.9 billion in Q4:2024-25 from US$ 14.8 billion in Q4:2023-24. Personal transfer receipts, mainly representing remittances by Indians employed overseas, rose to US$ 33.9 billion in Q4:2024-25 from US$ 31.3 billion in Q4:2023-24.
- Merchandise trade deficit at US$ 59.5 billion in Q4:2024-25 was higher than US$ 52.0 billion in Q4:2023-24. However, it moderated from US$ 79.3 billion in Q3:2024-25.

Chart: Merchandise Trade Deficit

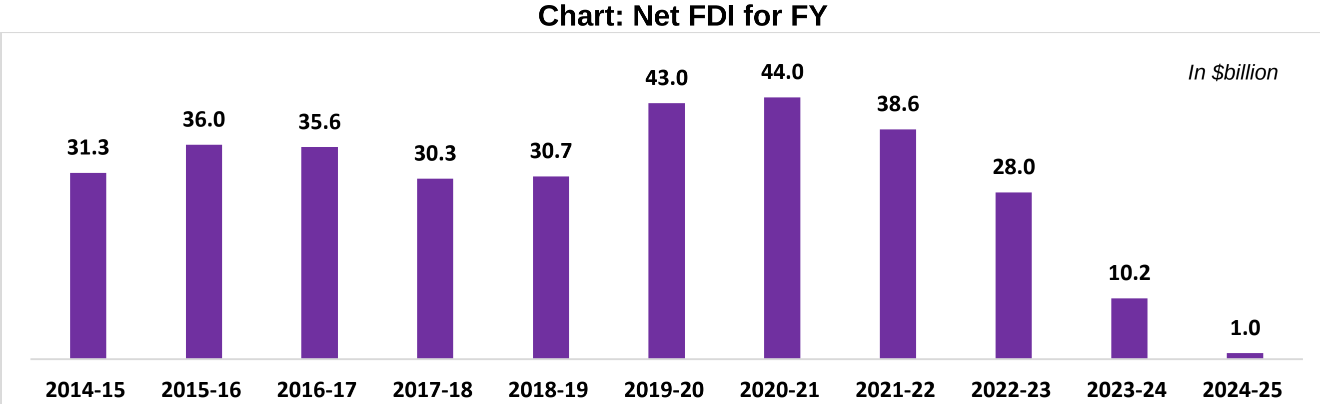


- The foreign direct investment (FDI) recorded a net inflow of US$ 0.4 billion in Q4:2024-25 as compared to an inflow of US$ 2.3 billion in the corresponding period of 2023-24.
- Foreign portfolio investment (FPI) recorded a net outflow of US$ 5.9 billion in Q4:2024-25 as against a net inflow of US$ 11.4 billion in Q4:2023-24.
- Net inflows under external commercial borrowings (ECBs) to India amounted to US$ 7.4 billion in Q4:2024-25, as compared to US$ 2.6 billion in the corresponding period a year ago.
- Non-resident deposits (NRI deposits) recorded a net inflow of US$ 2.8 billion in Q4:2024-25, lower than US$ 5.4 billion a year ago.
- There was an accretion of US$ 8.8 billion to the foreign exchange reserves (on a BoP basis) in Q4:2024-25 as compared to an accretion of US$ 30.8 billion in Q4:2023-24

❖ **India's BOP Q4'FY25 – key takeaways**

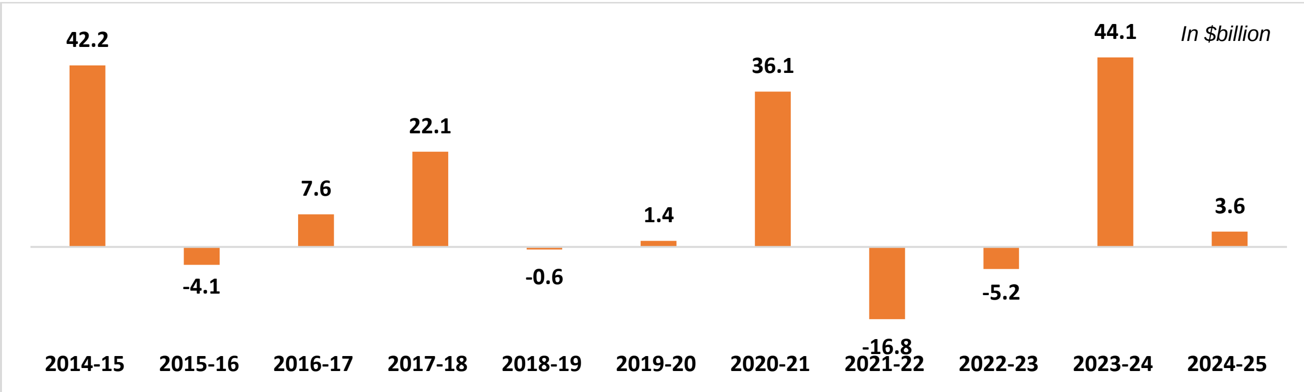
- India's current account deficit at US$ 23.3 billion (0.6 per cent of GDP) during 2024-25 was lower than US$ 26.0 billion (0.7 per cent of GDP) during 2023- 24, primarily due to higher net invisibles receipts.
- Net invisibles receipts were higher during 2024-25 than a year ago on account of services and personal transfers.
- Net inflow under FDI at US$ 1.0 billion during 2024-25 was lower than US$ 10.2 billion during 2023-24.
- There was a depletion of US$ 5.0 billion in the foreign exchange reserves (on a BoP basis) during 2024-25 as against accretion of US$ 63.7 billion in 2023-24.

Chart: Net FDI for FY



- During 2024-25, FPI recorded a net inflow of US$ 3.6 billion, a substantial decline as compared to US$ 44.1 billion a year ago.

Chart: Net FPI for FY



❖ **Views:**

1. Strong inflow of remittances and trade surplus in service sector will continue to support the position of current account balance. With crude oil price expected to hover around $70-75 per barrel for the fiscal year, market expects India's current account deficit to average around 1.0 - 1.5% of GDP in FY2025-26.
2. India's net Foreign Direct Investment has witnessed a sharp decline in FY'2024-25 as compared to the previous fiscal year. Though, the Gross FDI witnessed 14 per cent yearly growth in FY'2024-25, the net FDI declined sharply mainly due to two factors - 16 per cent rise in repatriation and disinvestment by foreign investors in existing companies, and a 75 per cent jump in outward FDI by Indian companies.
3. India continues to be an attractive destination for foreign investments as it retains its tag of the world's fastest growing economy. India continues to attract large-scale foreign investment across manufacturing, digital, and infrastructure sectors. As global firms deepen their supply chain presence in India, sectors like electronics, capital goods, pharmaceuticals, and auto ancillaries are likely to benefit.
4. Though, the heightened volatility in the global economy with escalating geopolitical tensions and trade restrictions, may adversely impact the India's external sector.

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