Oil savings reduce import bill, CAD falls

BALANCE OF PAYMENTS

	Oct-Dec 2015 Net ($bn)	Oct-Dec 2014 Net ($bn)
Current A/c Deficit	-7.1	-7.7
Goods Trade Deficit	-34.0	-38.6
Oil (POL)	-12.7	-19.2
Services	18.1	20.0
Gold Imports	-9	-11
Capital Account		
Worker Remittances	8	11.5
Direct Investment (Equity)	37.5	30.8
Direct Investment (Debt)	3.4	2.6

There is good news on the external front with lower oil prices further trimming India's import bill and shrinking the trade gap. The fall in commodity prices has more than made up for the revenue shortfall from the crash in exports. The only negative is that remittances by overseas Indians have declined marginally and gold imports continue to be firm.

The net outflow on account of oil (petroleum, oil and lubricant) imports fell to $12.7 billion during the third quarter of FY16, down from $19.2 billion in the same quarter last year. This has resulted in the overall deficit in trade in goods shrinking from $38.6 billion to $34 billion in the same quarter last year. As a result, India's current account deficit (CAD) shrunk to $7.1 billion, or 1.3% of the gross domestic product, from $7.7 billion, or 1.7% of the GDP, during the same period last year.

"The balance of payment numbers look very positive for the economy. Our view is that we would be in the range of 1.5% CAD for this year (FY16)," said Madan Sabnavis, chief economist, Care ratings. He said exports continue to be an issue and in case commodity prices harden, there can be challenges in balance of trade in FY17 but the CAD would still be less than 2% in a worst-case situation.

(SOURCE : www.timesofindia.indiatimes.com)