



MACRO ECONOMICS

Balance of payments and CAD

The country's account with the rest of the world: what goes in it, why it balances and where it stands

Balance of payments data to April-June 2026; foreign exchange reserves as on 2 October 2026

For training and education only. Not investment advice.

The balance of payments records payments between India and the rest of the world. Its two sides sum to zero.

One side is the current account. The other is the capital and financial account. A gap on one side is matched on the other.

The current account, 2025-26 (US\$ bn)

-337



Goods

Net -337.3. Exports of goods minus imports: the merchandise trade deficit. Oil is a large part of imports.

+217



Services

Net +216.6. Mainly software and other business services. India receives more than it pays.

-48



Income

Net -48.2. 'Primary income': mainly interest, dividends and profits on investments. India pays out more.

+144



Transfers

Net +143.6. 'Secondary income': transfers with nothing given in return, mainly remittances from Indians abroad.

Added up, the current account deficit for 2025-26 was US\$ 25.2 billion, or 0.6% of GDP.

Source: RBI press release on India's balance of payments for Q4 and the full year 2025-26, 8 Jun 2026 (preliminary data, net figures).

The capital and financial account

Net flows in US\$ billion. A plus sign means money came into India on that line.

Line	What it is	2025-26	Apr-Jun 2026
Direct investment (FDI)	Foreign companies buying or building businesses in India, less Indian companies doing the same abroad.	+6.9	+6.1
Portfolio investment (FPI)	Foreign investors buying and selling listed shares and bonds.	-16.4	-9.6
Other investment	Loans, NRI deposits, trade credit and similar flows. RBI's table calls this 'other investments'.	+35.7	+7.7
Reserve assets	RBI's foreign exchange reserves. A plus sign here means reserves were drawn down.	+23.6	+8.1

Sources: RBI BoP press releases, 8 Jun and 1 Sep 2026 (preliminary); RBI Handbook, Table 126. Selected lines; they do not add to the total.

Why the two sides balance

THE SET-UP (ASSUMED)

One year of an imaginary country, in US\$ billion.

It exports goods and services worth 500 and imports 560.

It receives a net 20 of income and transfers.

- 1 Current account = $500 - 560 + 20 = -40$. The country spent 40 more abroad than it earned.
- 2 That 40 of foreign money has to come from somewhere. Foreign investors bring in a net 25 and lenders a net 10: 35 in all.
- 3 The remaining $40 - 35 = 5$ comes out of the central bank's reserves.
- 4 Current account -40 , capital inflows $+35$, reserves used $+5$. The total is zero.

A current account deficit is matched by net capital inflows, a fall in reserves, or both.

Illustration with assumed figures. Not a forecast.

India's two sides, in RBI's numbers

US\$ billion, net, preliminary. In RBI's table a fall in reserves carries a plus sign.

Line	2025-26	Apr-Jun 2026
A. Current account	-25.2	-4.2
B. Capital and financial account, including reserves	+25.4	+2.6
Within B: reserves drawn down	+23.6	+8.1
C. Errors and omissions	-0.1	+1.6
A + B + C	0.1 (rounding)	0.0

Sources: RBI balance of payments press releases, Table 1, 8 Jun 2026 (2025-26) and 1 Sep 2026 (April-June 2026).

Where things stand

RBI's latest published figures. Quarterly BoP data are preliminary and are often revised.

CAD, APRIL-JUNE 2026

0.5%

Of GDP, or US\$ 4.2 billion. A year earlier: 0.4%, or US\$ 3.4 billion.

CAD, 2025-26

0.6%

Of GDP, or US\$ 25.2 billion. In 2024-25: 0.6%, or US\$ 22.9 billion.

FOREIGN EXCHANGE
RESERVES

\$734.6bn

On 2 October 2026. Up US\$ 43.5 billion since end-March 2026.

IMPORT COVER
(MONTHS)

~11

Reserves cover 'around 11 months' of imports, said RBI on 7 October 2026.

Sources: RBI balance of payments press releases, 1 Sep 2026 and 8 Jun 2026; RBI Weekly Statistical Supplement, 9 Oct 2026; RBI Governor's Statement, 7 Oct 2026.

What funds a current account deficit

1

Direct investment (FDI)

Money put into businesses and factories. It is usually slow to leave. Net FDI was US\$ 13.8 billion in April-August 2026.

2

Portfolio investment (FPI)

Money in listed shares and bonds. It can reverse quickly. Net outflows were US\$ 10.3 billion from April to 5 October 2026.

3

Borrowings and deposits

Loans raised abroad by companies, and NRI deposits. They bring foreign money in now and are repaid or withdrawn later.

4

Reserves

If inflows fall short, the gap is met from RBI's foreign exchange reserves. Reserves are a limited stock.

Source for the FDI and FPI figures: RBI Governor's Statement, 7 Oct 2026, para 21. The descriptions are general; exceptions exist.

How the picture differs from 2013

2012-13

- Current account deficit: US\$ 87.8 billion, 4.8% of GDP.
- Goods trade deficit: US\$ 195.7 billion.
- Net services receipts: US\$ 64.9 billion.
- Reserves: US\$ 292.6 billion on 29 March 2013.

2025-26

- Current account deficit: US\$ 25.2 billion, 0.6% of GDP.
- Goods trade deficit: US\$ 337.3 billion.
- Net services receipts: US\$ 216.6 billion.
- Reserves: US\$ 734.6 billion on 2 October 2026.

The goods gap is wider than in 2012-13. Net invisibles: US\$ 312.0 billion now, about US\$ 108 billion then.

Sources: RBI BoP press releases, 27 Jun 2013 (as first published) and 8 Jun 2026; RBI Weekly Statistical Supplement, 5 Apr 2013 and 9 Oct 2026.

Four things people get wrong



'A current account deficit is a loss.'

It means the country spent more abroad than it earned abroad in that period. The gap was met by capital inflows or reserves.



'Trade deficit and CAD are the same.'

In 2025-26 the goods deficit was US\$ 337.3 billion. After services, income and transfers, the current account deficit was US\$ 25.2 billion.



'CAD is the Government's deficit.'

It covers every resident: households, companies and Government. The Government's own gap is the fiscal deficit, counted in rupees.



'India's CAD is 4.8% of GDP.'

That was 2012-13. RBI's figure is 0.6% for 2025-26 and 0.5% for April-June 2026. Check the period before you quote a number.

Check yourself

Q1

A country exports goods and services worth 300 and imports 340. It receives a net 15 of income and transfers (US\$ billion, assumed). What is its current account balance?

Q2

The same country receives net capital inflows of 18. What happens to its reserves?

Q3

Name the four lines of the current account. Which two were in surplus for India in 2025-26?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- 2025-26 and January-March 2026: RBI, 'Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2025-26', Press Release 2026-2027/412, 8 Jun 2026.
- April-June 2026: RBI Press Release 2026-2027/1015, 1 Sep 2026, 'Developments in India's Balance of Payments during the First Quarter (April-June) of 2026-27'.
- Foreign exchange reserves, US\$ 734,606 million on 2 Oct 2026: RBI Weekly Statistical Supplement, 9 Oct 2026.
- Import cover, external debt cover, FDI April-August 2026 and FPI to 5 Oct 2026: RBI Governor's Statement, Press Release 2026-2027/1266, 7 Oct 2026.
- 2012-13: RBI, 'Developments in India's Balance of Payments during the Fourth Quarter (January-March 2013) of 2012-13', 27 Jun 2013.
- Reserves of US\$ 292,646.5 million on 29 Mar 2013: RBI Weekly Statistical Supplement, 5 Apr 2013.

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