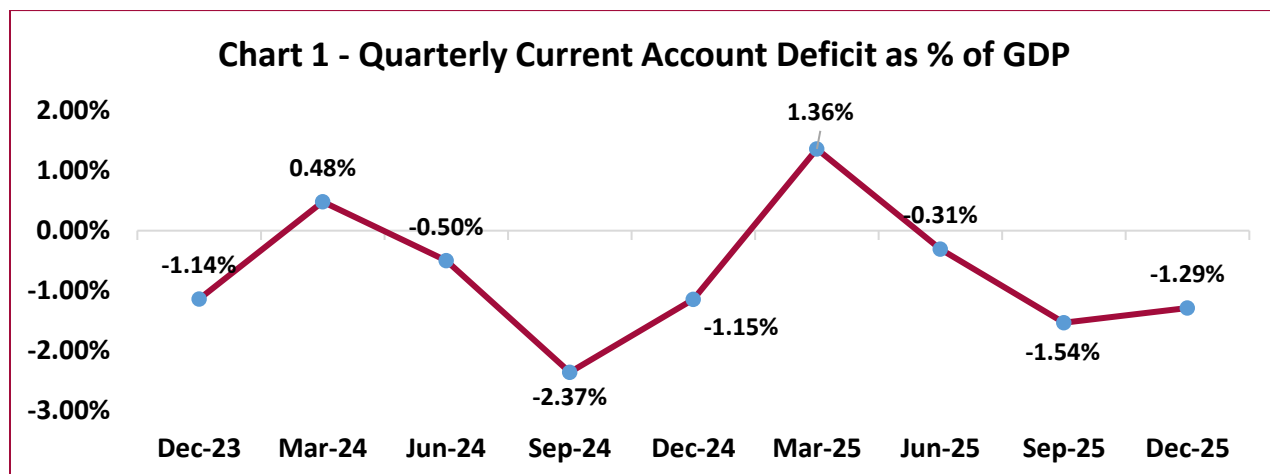


Macro Insights

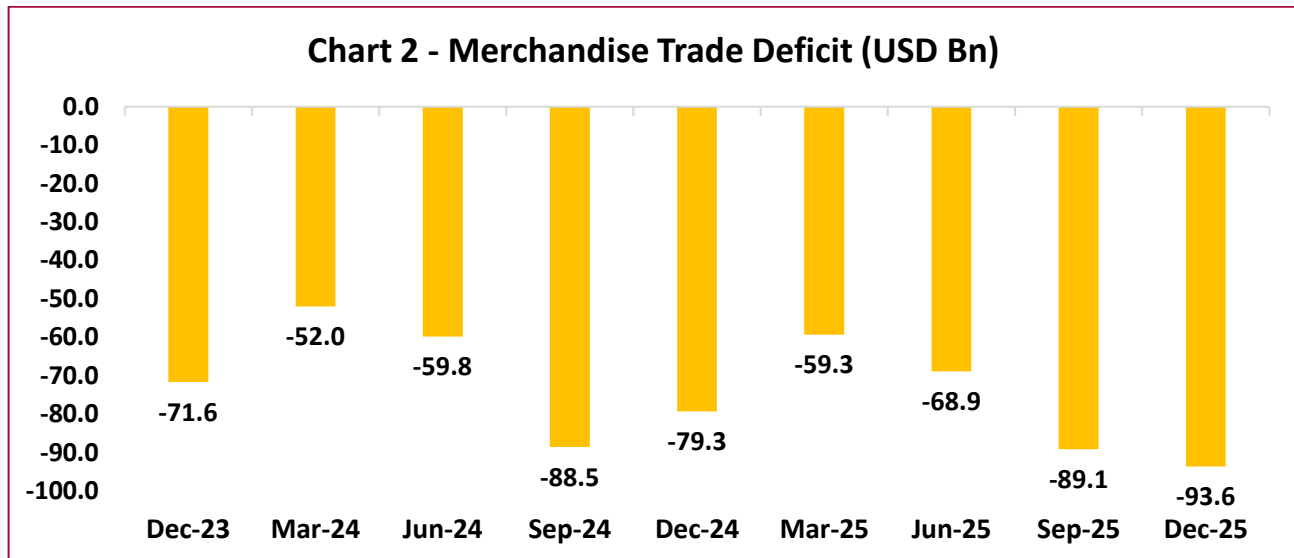
Key Takeaways: India's Balance of Payments (BoP) Q3'FY26

- India's current account deficit increased to US\$ 13.2 billion (1.3 per cent of GDP) in Q3FY26 from US\$ 11.3 billion (1.1 per cent of GDP) in Q3FY25.
- The current account deficit represents the gap between the value of a country's exports and imports of goods and services. It serves as a crucial indicator of the country's external sector.
- Merchandise trade deficit at US\$ 93.6 billion in Q3FY26 was higher than US\$ 79.3 billion in Q3FY25.



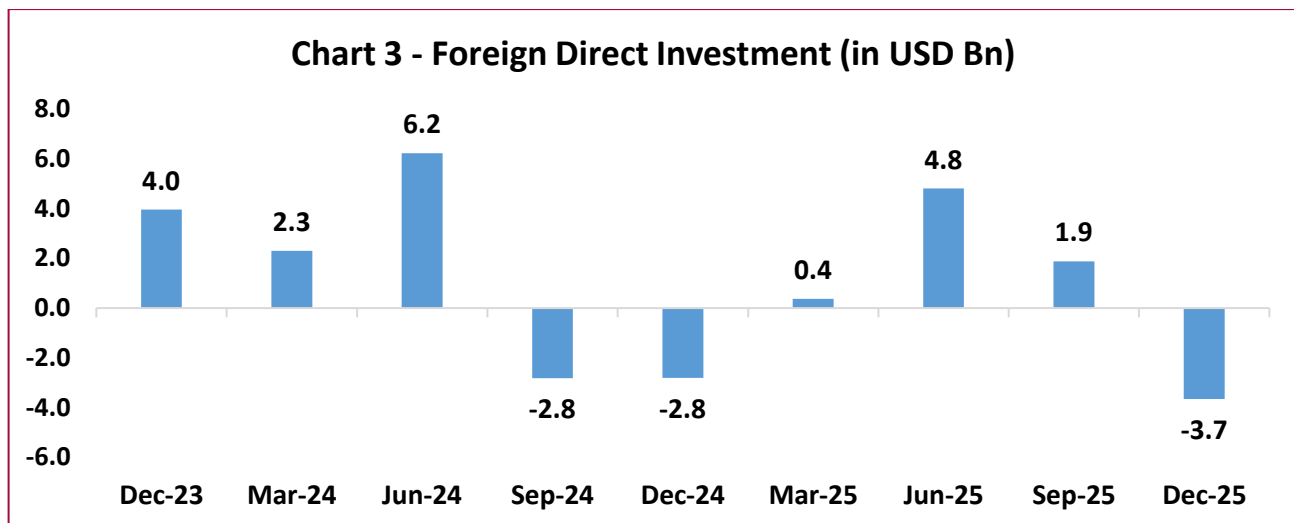
Source: GMIE

- Net services receipts increased to US\$ 57.5 billion in Q3FY26 from US\$ 51.2 billion a year ago. Services exports have risen on a y-o-y basis in major categories such as computer services and other business services.
- Net outgo on the primary income account, mainly reflecting payments of investment income, decreased to US\$ 12.2 billion in Q3FY26 from US\$ 16.4 billion in Q3FY25.
- Personal transfer receipts under secondary income account, mainly representing remittances by Indians employed overseas, rose to US\$ 36.9 billion in Q3FY26 from US\$ 35.1 billion in Q3FY25.



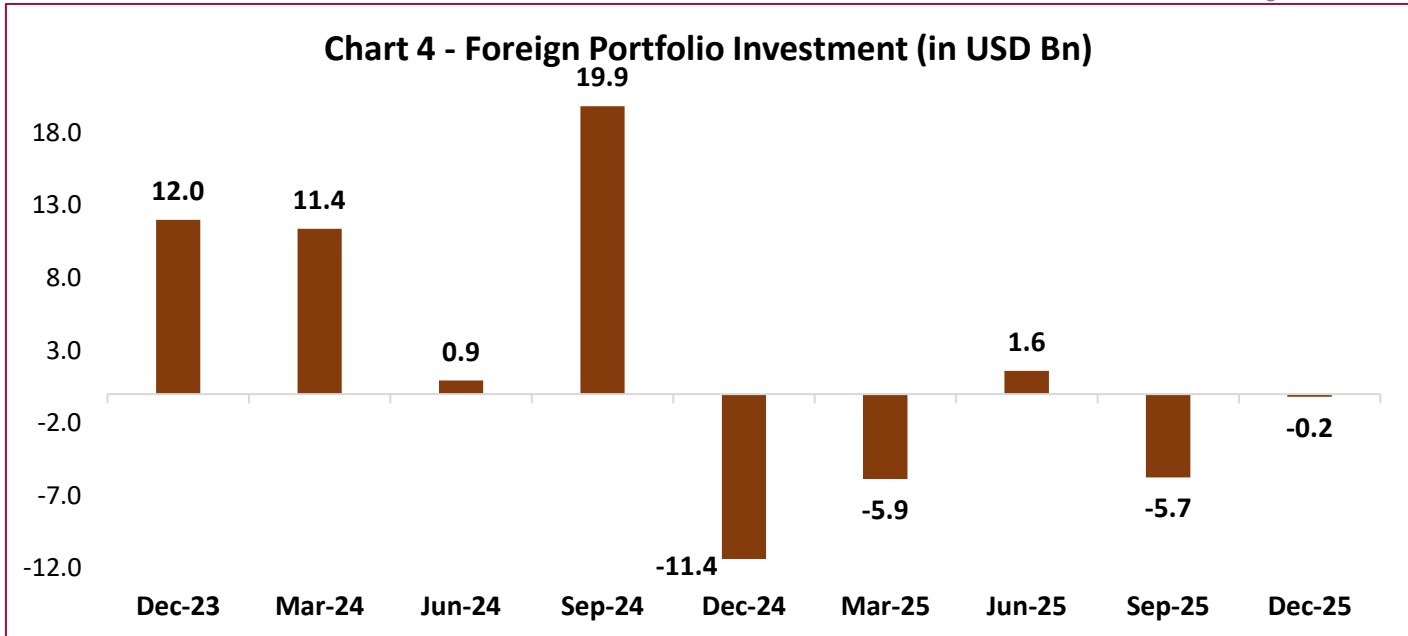
Source: CMIE

- In the financial account, foreign direct investment (FDI) recorded a net outflow of US\$ 3.7 billion in Q3FY26 as against a net outflow of US\$ 2.8 billion in the corresponding period of 2024-25 (Refer Chart 3).



Source: CMIE

- Foreign portfolio investment (FPI) recorded a net outflow of US\$ 0.2 billion in Q3FY26 as against a net outflow of US\$ 11.4 billion in Q3FY25.
- Net inflows under external commercial borrowings (ECBs) to India amounted to US\$ 3.3 billion in Q3FY26, lower than a net inflow of US\$ 4.4 billion in Q3FY25.
- Non-resident deposits (NRI deposits) recorded a net inflow of US\$ 5.1 billion in Q3FY26, higher than US\$ 3.1 billion in Q3FY25.
- Foreign exchange reserves depleted by US\$ 24.4 billion (on a BoP basis) in Q3FY26 as compared with a depletion of US\$ 37.7 billion in Q3FY25.



Source: CMIE

❖ **Views:**

1. As of March 2026, India's external sector presents a picture of "manageable resilience" despite a challenging global environment. While the merchandise trade deficit has widened, robust services exports and record-breaking remittances are acting as critical shock absorbers.
2. A widening merchandise trade deficit, reaching \$93.6 billion in Q3 has been the primary pressure point. This is largely due to higher costs for non-oil/non-gold imports and a shift toward more expensive crude oil sources. Further, October-December quarter saw the Indian economy face the brunt of U.S. trade tariffs of up to 50%, dampening export growth.
3. The recent geopolitical conflict in West Asia has led to sharp surge in crude oil and gas prices that may put significant strain on India's Balance of Payments as India remains a major importer of crude oil and gas.

Disclaimer: The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/ figures represented in the note and shall not be held liable for the same in any manner whatsoever.

For any feedback or valuable suggestions: Reach us at eicsmead@pnb.co.in

Follow our Official Page

pnbbank.in

