India's external position: Balance of Payment (BOP) switches to surplus in June yet Q1 FY 27 clocks wider deficit

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In USD Bn	FY 2026-27		
	Apr	May	Jun
Exports	44.6	46.1	41.2
Imports	72.5	74.0	71.4
Trade balance	**- 27.9**	**- 27.9**	**- 30.2**
Services	18.6	15.8	17.9
Exports	37	33.4	36.4
Imports	18.4	17.6	18.5
Transfer	16	13.6	11.9
Income	- 1.9	- 3.4	- 5.8
Current account	4.8	**- 1.9**	**- 6.2**
FDI	7.4	-0.1	1.3
FII	- 8.7	- 4.7	2.5
ECB	1.3	0.1	- 0.5
Banking capital	- 3.7	**- 1.1**	**8.2**
w/w NRI deposits	0.8	0.6	1.4
Other capital	- 7.7	0.2	- 4
Capital account	- 11.4	**- 2.4**	**9.1**
Overall balance	- 6.6	**- 4.3**	**2.9**

**Source: RBI publication*

In USD Bn	Avg. Apr-Jun FY 2025-26	Avg. Apr-Jun FY 2026-27
Exports	37.6	44.0
Imports	60.5	72.6
Trade balance	**-23.0**	**-28.7**
Services	16.0	17.4
Exports	32.5	35.6
Imports	16.5	18.2
Transfer	10.3	13.8
Income	-4.3	-3.7
Current account	**-1.0**	**-1.1**
FDI	1.6	2.9
FII	0.5	-3.6
ECB	1.3	0.1
Banking capital	**-0.5**	**1.1**
w/w NRI deposits	1.2	0.9
Other capital	-0.4	-3.8
Capital account	**2.7**	**-1.6**
Overall balance	**1.7**	**-2.7**

**Source: RBI publication*

India's Balance of payment (BoP) moved to surplus at US$2.9 Bn after remaining in deficit for last two months. However, Avg. Q1 FY 2026-27, BOP remained in deficit at US$ (-) 2.7 Bn vis-à-vis surplus of US$ 1.7 Bn in same period previous year. While current a/c deficit widened, capital a/c moved into surplus; contributing to overall BOP surplus. The improvement in BOP was however not broad-based: the current account deficit was 3 months high at US$ (-) 6.2 Bn in Jun'26, while foreign investment (FDI+FPI) moves to positive territory for the first time in last one year at US$3.8 Bn. Alongside foreign investment, stronger banking capital position helped BOP move into surplus in Jun'26.

Current account moves into deficit, good deficit outweigh services surplus

Current account deficit further widened from US$(-) 1.9 Bn in May'26 to US$(-) 6.2 Bn in Jun'26, as goods exports moderated and imports remained high; remittances persistently narrowed down since Apr'26. The current account moved into **cumulative deficit** at **US$3.1Bn during April-Jun 2026, against US$2.9 Bn in same period previous year.**

- **Merchandise exports** Avg of first three months (Apr-Jun) of FY 2026-27 was at US$44.0 Bn up from US$37.6 Bn in same period previous year.
- **Services surplus also continues** to show avg. US$ 17.4 Bn in first three months of FY 2026-27, up from US US$16.0 Bn in same period previous year. However, services surplus was not able to compensate for the goods deficit.
- **Average transfers (remittances) have improved in first three months of the FY 2026-27** at avg. ***US$13.8 Bn which was US$ 10.3 Bn*** in same period previous year. Remittances showed good momentum in Q1 FY 2026-27 despite volatility in the gulf region. However, inflows have persistently moderated in last 3 months as the front-loading of remittances from conflict-zones (West Asia) started to fade out gradually. Nevertheless, we can expect the general trend of inflows to resume back in next few months once 'normalization' starts.
- **Income from investment and dividend, extended its negative rally at (**-) US$5.8 Bn in Jun'26 from (-) US$3.4 Bn in May'26. Income from investments avg. at (-) US$3.7 Bn in Apr-Jun 2026 from (-) US$ 4.3 in same period previous year.

Capital account moves to surplus for the first time in last 8 months at US$ 9.1 Bn, Foreign investment inflows stands as the key driver of surplus in Jun'26

The capital account recorded a **US$9.1 Bn inflow in Jun'26,** reversing its previous month's deficit of US$(-) 2.4 Bn, capital a/c was in deficit at US$(-) 1.6 Bn in Jun'25. Initial outflows in capital a/c at US$ (-) 11.4 Bn in Apr'26 and US$ (-) 2.4 Bn in May'26, were evened out by the surplus of US$ 9.1 in Jun'26.

- **Net FDI inflows averaged** at US$ 2.9 Bn in first three months of the FY 2026-27, improving from avg. US$ 1.6 Bn in same period previous year. However, Avg. Net **Foreign portfolio investment position worsened to US$ (-)3.6 Bn** in first three months of the FY 2026-27, from USUS$ (-) 0.5 Bn in same period previous year. Nevertheless, the month of June saw considerable improvement in both FDI and FPI flows where flows moved into positive territory from previously recorded outflows as a result of pro-active measures announced by RBI to attract investments.
- **External commercial borrowing** averaged at US$(-) 0.1 Bn in Apr-Jun FY 2026-27, which was higher at US$ 1.3 Bn in same period previous year.
- **Banking capital inflow improved to** avg. **US$1.1 Bn in first three months of FY 2026-27** from US$ (-)0.5 Bn in same period previous year. Banking capital was at US$ 8.2 Bn in Jun'26, reversing its negative trend Apr'26 and May'26. Key driver for improvement in banking capital was the gradual increase in NRI deposits.

Our view:

India's Balance of Payment moves to surplus after remaining in deficit for last 2 months. Positive number of BOP was largely on account of capital a/c surplus, which compensated for Current account deficit. Capital account surplus was largely a result of RBI's policy measures to attract foreign investment. We expect India's CAD% to GDP at 1.1% in FY 27, if oil prices sustain in the range of US$85-90/bbl. Going forward, we can expect positive BOP in July and August as a result of policy measures for mobilising FCNR(B), ECB and other foreign-currency inflows. Nevertheless, upon sufficient inflows of funds under FCNR (B), RBI announced to close the window one month prior to its completion date. As we see the FCNR(B) flows reaching at US$52.3 Bn till Aug 13,2026, going forward, FCNB(R) flows to reach to US$ 80 Bn and other flows via OFCB and ECB to sum up to US$ 20 Bn and totaling to US$ 100 Bn in the current fiscal, we expect BOP to reach at surplus of US$70 Bn FY 2026-27. Therefore, capital account (inflows) from September onwards would be a keen watch that drive the BOP numbers in either direction when current account continues to face volatility amid geo-political tensions.

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