*Developments in India's Balance of Payments during Second Quarter (July-September) of 2012-13**

The data on India's Balance of Payments (BoP) are compiled and published by the Reserve Bank on a quarterly basis with a lag of one quarter. This article presents the analysis of major developments in India's BoP (i) during the second quarter (July-September) of 2012-13 and (ii) during first half (April-September) of 2012-13.

1. Balance of Payments during July-September (Q2) of 2012-13

Highlights

- India's current account deficit (CAD) as a percentage of Gross Domestic Product (GDP) deteriorated to an all time high of 5.4 per cent in Q2 of 2012-13 on account of widening of trade deficit and slower growth in invisibles.
- Rise in CAD to GDP ratio was also partly due to slower growth in GDP and rupee depreciation.
- A steeper decline in exports growth as compared with imports growth led to widening of trade deficit.
- While net services receipts registered reasonable increase, net invisibles earnings during the quarter could finance only a lower proportion of trade deficit as net 'primary and secondary' income flows were relatively smaller.
- Although net capital inflows surged led by foreign direct investment (FDI) and portfolio investment, they were barely sufficient to meet the financing needs and there was a marginal drawdown of reserves by US$ 0.2 billion.

After witnessing some improvements during Q1 of 2012-13 over the preceding four quarters, BoP again turned into stress during Q2 of 2012-13 as large trade deficit resulted in all time high current account deficit and capital inflows, though higher, fell short of financing requirement. The developments in the major items of the BoP for Q2 of 2011-12 are set out below in Table 1.

Goods Trade

- India's subdued exports performance which began at the end of Q2 of 2011-12 witnessed further deterioration in 2012-13. On a BoP basis, merchandise exports recorded a decline of 12.2 per cent (year-on-year) during Q2 of 2012-13 as against an increase of 45.3 per cent during the corresponding quarter of 2011-12. It resulted from adverse trade spillovers from low growth and uncertainty in the advanced and emerging market & developing economies (EMDEs). Export

Table 1 : Major items of India's Balance of Payments

(US$ Billion)

	Second Quarter Jul-Sep		Financial Year Apr-Sep	
	2011 (PR)	2012 (P)	2011-12 (PR)	2012-13 (P)
1. Goods exports	79.6	69.8	158.4	146.5
2. Goods Imports	124.1	118.2	247.7	237.2
3. Trade Balance(1-2)	-44.5	-48.3	-89.4	-90.7
4. Services Exports	32.3	34.8	66.0	69.6
5. Services Imports	18.3	19.2	35.7	40.0
6. Net Services (4-5)	14.0	15.6	30.3	29.6
7. Goods & Services Balances (3+6)	-30.5	-32.7	-59.1	-61.1
8. Primary Income, Net	-4.0	-5.6	-7.6	-10.5
9. Secondary Income, Net (Private Transfers)	15.6	16.1	30.4	32.9
10. Net Income (8+9)	11.6	10.5	22.8	22.4
11. Current Account Balance (7+10)	-18.9	-22.3	-36.3	-38.7
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	19.6	23.8	43.4	40.0
13.Change in Reserves (-)increase/ (+)decrease	-0.3	0.2	-5.7	-0.4
14. Errors & Omissions (-) (11+12+13)	-0.4	-1.6	-1.3	-0.7

P: Preliminary; PR: Partially Revised

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Revised quarterly BoP data for 2010-11, 2011-12 and 2012-13 are available on RBI site at dbie.rbi.org.in and also at RBI press release dated December 31, 2012. In addition, the disaggregated quarterly data on invisibles for 2010-11, 2011-12 and 2012-13 are being released separately on RBI site.

diversification efforts also could not sustain as the continued sluggish economic conditions in advanced economies spilled over to major emerging and developing economies.

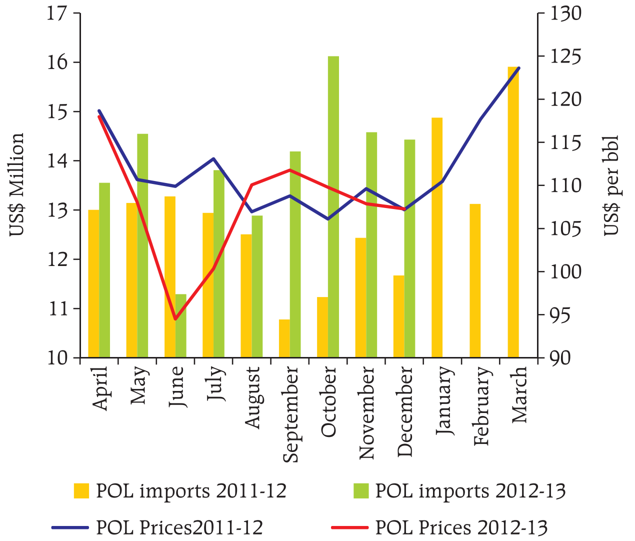
- In terms of destination, exports to European Union registered a decline of 9.5 per cent. Exports to developing countries which could offset the lower demand from advanced countries in the previous year also recorded a fall of 5.5 per cent during Q2 of 2012-13. Among the Asian countries, fall in exports was more prominent in case of China (-49.1 per cent) and Hong Kong (-8.7 per cent). Moderation in exports was also noticeable in case of most of the African and SAARC countries.

- On the other hand, though sluggish domestic economic activity caused moderation in import demand, inelastic demand for POL imports resulted in modest overall decline in merchandise imports relative to that of merchandise exports during the quarter. On BoP basis, during Q2 of 2012-13, merchandise imports at US$ 118.2 billion declined by 4.8 per cent over the corresponding quarter of the previous year. The non-oil non-gold segment of imports declined by 5.7 per cent as against an increase of 36.2 per cent in Q2 of the previous year. There has been a significant decline in import of gold by 13.7 per cent. POL imports rose to US$ 40.9 billion recording a rise of 12.9 per cent over the corresponding quarter.

- The decline in gold imports has been due to decline in both quantum as well as prices. The international gold prices at US$ 1652 per troy ounce remained marginally lower than the previous year level.

- The rise in oil imports was largely a reflection of higher volume of POL imports as the price of international crude oil for Indian basket recorded a marginal decline. The price of Indian basket of crude oil at the elevated level of US$ 107.3 per bbl has been around 2 per cent lower than that in the same period in the preceding year (Chart 1).

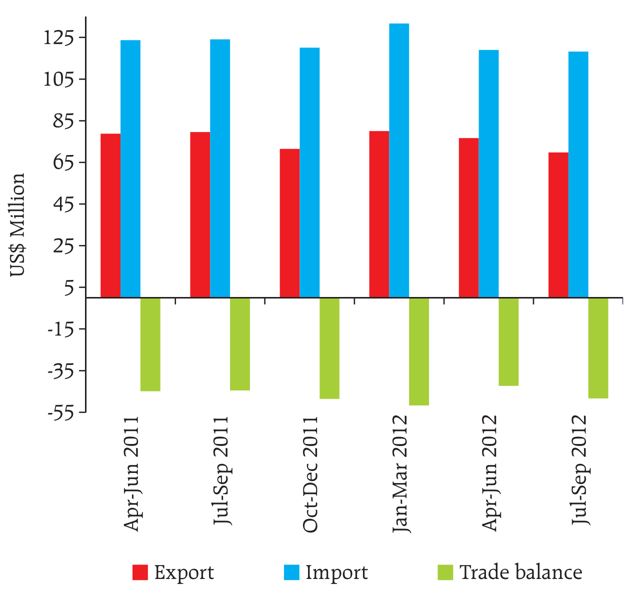
Chart 1: India's POL Imports and International Crude Prices



Trade Deficit

- With sharper decline in exports relative to the imports, the trade deficit increased to US$ 48.3 billion in Q2 of 2012-13 (11.7 per cent of GDP) as compared with US$ 44.5 billion in Q2 of 2011-12, showing an increase of around 9 per cent on y-on-y basis (Chart 2).

Chart 2: Quarterly Movements in Trade Balance



Services

During the quarter, growth in net services receipts decelerated sharply and, therefore, in absolute terms, there has been only a marginal rise over the same period of the previous year (Table 2).

- Services exports recorded a lower growth of 7.7 per cent to US$ 34.8 billion in Q2 of 2012-13 as compared with 10.1 per cent in the same period of 2011-12, primarily due to lower growth in receipts under transports, travel, insurance & pension, and software services.
- On the other hand, services imports during Q2 of 2012-13 witnessed a growth of 5.0 per cent to US$ 19.2 billion as against a decline of 6.1 per cent in the same period of 2011-12 mainly led by transport, software and other business services (Table 2).

Income

Net outflow on account of primary income not only continued in Q2 of 2012-13 but also showed an uptrend mainly on account of higher interest payments under external commercial borrowings (ECBs) and FII investments in debt securities. There has been a modest increase in net secondary income which may be attributed to weakening of Indian rupee, inducing higher workers' remittances for family maintenance (Table 2).

- During Q2 of 2012-13, payments on account of investment income, comprising mainly the interest payments on ECBs, NRI deposits and profits & reinvested earnings of FDI companies in India, rose by 20.4 per cent. In contrast, investment income receipts, largely representing earning on foreign currency assets, recorded a decline of 13.3 per cent in Q2 of 2012-13. Thus, net outflow on account of primary income in Q2 of 2012-13 at US$ 5.6 billion was significantly higher than that recorded in Q2 of 2011-12 (US$ 4.0 billion).
- Secondary income (on net basis), reflecting mainly the remittances from overseas Indians, at

Table 2: Disaggregated Items of Current Account

(US$ Billion)

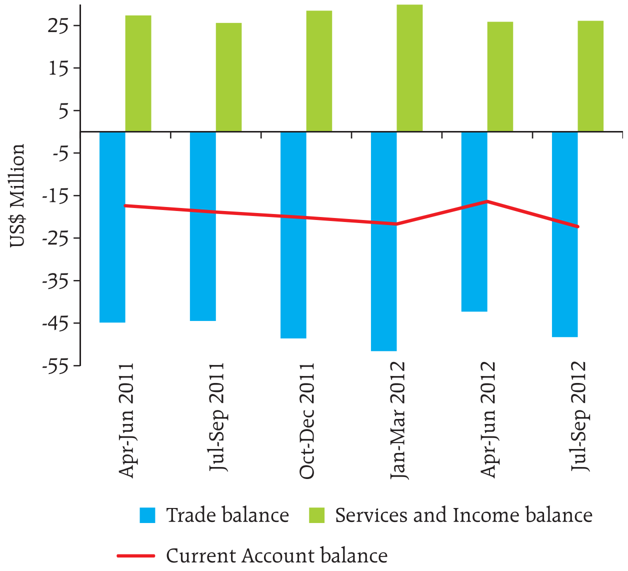
	Jul-Sep		Apr-Sep	
	2012 (P)	2011(PR)	2012 (P)	2011 (PR)
1. Goods	**-48.3**	**-44.5**	**-90.7**	**-89.4**
2. Services	**15.6**	**14.0**	**29.6**	**30.3**
2.a Transportations	0.3	0.9	0.9	1.2
2.b Travel	1.0	0.7	1.4	0.9
2.c Construction	-0.01	-0.2	-0.1	-0.1
2.d Insurance and pension services	0.3	0.2	0.5	0.5
2.e Financial Services	0.2	-0.6	0.1	-1.0
2.f Charges for the use of intellectuals property	-1.0	-0.6	-1.8	-1.2
2.g Telecommunications, computer and information services	15.8	13.7	31.1	28.2
2.h Personal, cultural and recreational services	0.1	0.04	0.1	0.05
2.i Government goods & services	-0.02	-0.03	-0.03	-0.1
2.j Other Business services	0.4	-0.2	-0.2	-0.5
2.k Others n.i.e	-1.3	0.1	-2.3	2.4
3. Primary Income	**-5.6**	**-4.0**	**-10.5**	**-7.6**
3.a Compensation of Employees	0.3	0.2	0.5	0.4
3.b Investment Income	-6.0	-4.4	-11.1	-8.3
4. Secondary Income	**16.1**	**15.6**	**32.9**	**30.4**
4.a Personal Transfers	15.5	15.1	31.6	29.4
4.b. Other Transfers	0.6	0.5	1.3	1.0
5. Current Account (1+2+3+4)	**-22.3**	**-18.9**	**-38.7**	**-36.3**

US$ 16.1 billion recorded a moderate growth of 2.9 per cent during Q2 of 2012-13, much lower than that of 20.4 per cent in Q2 of 2011-12.

Current Account

Notwithstanding a reasonable increase in net services receipts, net invisibles earnings could finance only a lower proportion of trade deficit as net 'primary and secondary' income flows were relatively smaller. Consequently, the CAD worsened to US$ 22.3 billion in Q2 of 2012-13 as compared to US$ 16.4 billion in the preceding quarter and US$ 18.9 billion in Q2 of 2011-12 (Chart 3). As a percentage of GDP, CAD widened to 5.4 per cent of GDP in Q2 of 2012-13 from 3.9 per cent in Q1 of 2012-13 (4.2 per cent in Q2 of 2011-12). It is not only unsustainable but also historically high.

Chart 3: Movement in Current Account Balance



Capital & Financial Account

Capital Account

The capital account, which includes, *inter alia*, 'net acquisition of non-produced non-financial assets' and 'other capital receipts including migrant transfers' showed a small outflow of US$ 0.3 billion on a net basis in Q2 of 2012-13.

Financial Account

The net inflow under the financial account excluding change in reserves was significantly higher during Q2 of 2012-13 mainly on account of a turnaround in FII inflows (Table 3). The surge in equity flows during the quarter may be attributed to improved global liquidity due to quantitative easing announced by the US Fed, improved sentiment on the back of decline in risk aversion, besides improved perception about the domestic economy driven by reforms announced by the Government. These reforms *inter alia* include relaxing FDI norms for retail, insurance and pension sectors and providing roadmap for fiscal consolidation. Inflows under ECBs and external assistance, however, recorded a decline during the quarter leading to a distinct shift towards equity flows which financed around two-thirds of CAD during Q2 of 2012-13 (28.3 per cent in Q2 of 2011-12).

- The gross financial inflows, excluding reserve changes, amounted to US$ 109.8 billion during Q2 of 2012-13 (US$ 117.4 billion Q2 of previous year) and similarly gross financial outflows during the period were lower at US$ 85.7 billion (US$ 98.1 billion Q2 of previous year).
- Net inflows under financial account excluding changes in reserves rose to US$ 24.0 billion during Q2 of 2012-13 (US$ 19.3 billion during Q2 of previous year). This was mainly on account of net portfolio inflows of US$ 7.6 billion as against an outflow of US$ 1.4 billion in Q2 of 2011-12 (Table 3).
- Net FDI inflows to India (inward FDI minus outward FDI) during Q2 of 2012-13 at US$ 8.9 billion stood higher as compared to US$ 6.5 billion in Q2 of 2011-12 mainly on account of lower FDI by India during the quarter.
- Net external loans availed by banks stood at US$ 2.0 billion in Q2 of 2012-13 as compared to an inflow of US$ 3.9 billion in Q2 of 2011-12 mainly due to repayments of overseas borrowings by the banks.

Table 3: Disaggregated Items of Financial Account

(US$ Billion)

	Jul-Sep 2012 (P)	Jul-Sep 2011(PR)	Apr-Sep 2012(P)	Apr-Sep 2011 (PR)
1. Direct Investment (net)	**8.9**	**6.5**	**12.8**	**15.7**
1.a Direct Investment to India	10.3	9.5	16.2	21.9
1.b Direct Investment by India	-1.4	-3.0	-3.4	-6.1
2. Portfolio Investment	**7.6**	**-1.4**	**5.6**	**0.9**
2.a Portfolio Investment in India	7.9	-1.6	6.2	0.9
2.b Portfolio Investment by India	-0.3	0.2	-0.6	-0.02
3. Other investment	**7.9**	**14.2**	**22.7**	**26.8**
3.a Other equity (ADRs/GDRs)	0.1	0.2	0.2	0.5
3.b Currency and deposits	3.5	3.1	9.9	4.3
Deposit-taking corporations, except the central bank (NRI Deposits)	2.8	2.8	9.4	3.9
3.c Loans*	3.3	9.5	6.7	24.5
3.c.i Loans to India	3.6	8.9	7.0	23.9
Deposit-taking corporations, except the central bank	2.0	3.9	5.0	15.4
General government (External Assistance)	0.1	0.3	0.1	0.7
Other sectors (External Commercial Borrowings)	1.4	4.7	1.8	7.7
3.c.ii Loans by India	-0.3	0.6	-0.2	0.6
General government (External Assistance)	-0.1	-0.04	-0.1	-0.1
Other sectors (External Commercial Borrowings)	-0.2	0.6	-0.1	0.7
3.d Trade credit and advances	4.1	2.9	9.5	5.9
3.e Other accounts receivable/payable-other	-3.0	-1.5	-3.6	-8.4
4. Financial Derivatives	-0.3	-	-0.8	-
5. Reserve assets	0.2	-0.3	-0.4	-5.7
Financial Account (1+2+3+4+5)	**24.2**	**19.0**	**39.9**	**37.7**

*: includes External Assistance, ECBs and Banking Capital.

- 'Net external loans availed by non-Government and non-banking sectors', *i.e.*, net ECBs stood lower at US$ 1.4 billion as compared to US$ 4.7 billion in Q2 of 2011-12 mainly due to lower disbursal.
- Net inflows under 'trade credit & advances' at US$ 4.1 billion during Q2 of 2012-13 stood higher than the previous year's level of US$ 2.9 billion reflecting larger proportion of imports financed by trade credit. The increase in the trade credit may probably be due to some substitution between ECBs and trade credit for import financing.
- Inflows under currency and deposits of commercial banks, *i.e.*, NRI deposits, remained at the previous year's level of US$ 2.8 billion.
- Despite significant improvement in the capital and financial account, net capital inflows were barely adequate to finance the CAD recorded in Q2 of 2012-13, thereby leading to a marginal drawdown of foreign exchange reserves to the extent of US$ 0.2 billion as against a reserve build-up of US$ 0.3 billion in Q2 of 2011-12. However, the foreign exchange reserves (including valuation changes) increased by US$ 5.1 billion during the quarter, reflecting depreciation of the US dollar against major international currencies.

2. Balance of Payments during April-September 2012-13

Highlights

- In H1 (April-September) of 2012-13, CAD as a proportion of GDP, rose sharply to 4.6 per cent from 4.0 per cent in H1 of the previous year on account of deterioration in trade deficit and continued sluggishness in invisibles, in particular, absolute decline in net services exports.

- Rise in CAD to GDP ratio was also partly due to slower growth in GDP and rupee depreciation.
- Net inflows under the financial account were lower during April-September 2012-13 over the corresponding period of the previous year mainly due to decline in FDI, ECBs and banking capital.
- Moderation in capital inflows coupled with continued elevated level of CAD led to only a marginal accretion of US$ 0.4 billion in the foreign exchange reserves during April-September 2012.

Taking into account the partially revised data for Q1, along with preliminary data for Q2, the BoP data for April-September 2012 (H1) have been compiled. During 2012-13, the impact of global and domestic developments continued to weigh on India's BoP position, particularly through the trade channel. The slowdown in domestic activities led to decline in imports during H1 of 2012-13. However, decline in exports due to continued economic slowdown in advanced countries and its spillover effects in EMDEs was sharper than that of imports during the period. Growth in crude oil imports moderated during April-September 2012 over the corresponding period of the previous year but remained at an elevated level despite a moderation in international crude oil prices. As a result, trade deficit was higher in absolute terms during H1 of 2012-13 over the same period a year ago. This coupled with moderation in net services and incomes (primary and secondary) caused a rise in CAD. Global and domestic economic concerns also led to moderation of inflows under capital and financial account (excluding change in reserves) which were just sufficient to finance the elevated CAD level leading to a small accretion to the foreign exchange reserves to the tune of US$ 0.4 billion during H1 of 2012-13.

- During H1 of 2012-13, India's merchandise exports at US$ 146.5 billion on a BoP basis, declined by 7.4 per cent as against an increase of 41.5 per cent during the corresponding period of the previous year. Slowdown in exports was more pronounced in the Q2 of 2012-13 of the H1 as external demand from major EMDEs also began to be impacted.
- Import payments during the same period at US$ 237.2 billion, on a BoP basis, registered a decline of 4.3 per cent as against an increase of 39.3 per cent in the previous year. Moderation in imports during H1 of 2012-13 may partly be attributed to weakening of domestic demand coupled with sluggish external demand impacting the demand for export related imports.
- At a disaggregated level, external demand remained subdued across all the commodity groups, as evident from either negative or lower export growth. Exports of gems & jewellery, petroleum products, textiles & textile products, engineering goods and ores & minerals recorded a decline in their growth rates during April-September 2012 over the same period of the preceding year.
- Among imports, sectors, *viz.*, 'capital goods (including electronic goods, transport equipments and machinery)', 'export related items (including pearls & stones', 'gold & silver', 'coal coke & briquettes' and chemical material showed a steep deceleration during the year.
- During the same period, POL products and gold & silver together accounted for more than 43 per cent of India's merchandise imports (44.0 per cent in H1 of 2011-12). Notwithstanding a decline in international crude oil prices, POL product imports remained at elevated level although decelerating to 6.0 per cent from 51.8 per cent in the same period of the preceding year. Import of gold and silver stood at US$ 21.3 billion in H1 of 2012-13 posting a contraction of 32.5 per cent as against an increase of 74.2 per cent in H1 of the previous year.

Trade Balance

- Merchandise trade deficit (on BoP basis) during H1 of 2012-13 widened to US$ 90.7 billion from

US$ 89.4 billion recorded in the preceding year. As a proportion of GDP, it increased from 9.9 per cent in 2011-12 to 10.8 per cent in H1 of 2012-13.

Services

Growth of services exports moderated to 5.4 per cent during H1 of 2012-13 as compared with a growth of 21.5 per cent during the previous year, while imports of services increased to 11.9 per cent as against a decline of 2.0 per cent during the same period. This led to a marginal decline of 2.3 per cent in services exports in net terms during H1 of 2012-13 (69.4 per cent in 2011-12).

- Moderation in the growth of the services receipts was mainly on account of decline in growth rate of 'travel', 'transport', 'insurance & pension services', 'financial services' besides moderation in the growth rate of 'telecommunications, computer & information services'.
- Increase in services payments during H1 of 2012-13 as against a marginal decline in H1 of 2011-12 was noticed in 'royalty payments', 'telecommunications, computer & information services', 'research & development services', 'professional & management consulting services', 'technical, trade related & other business services' and 'personal, cultural and recreational services'. On the other hand, services payments on account of 'travel', 'constructions', 'insurance & pension services' and 'financial services' recorded deceleration in growth.

Income

Primary income

Primary income balance, comprising compensation of employees and investment income, worsened during H1 of 2012-13 as compared with the corresponding period of preceding year.

- Investment income receipts during the year declined by 19.4 per cent over the previous year reflecting lower interest/discount earnings on foreign exchange reserves. Compensation of employees, in net terms, however, showed a small inflow of US$ 0.5 billion in H1 of 2012-13 as compared to an inflow of US$ 0.4 billion during a year ago.
- Investment income payments at US$ 14.2 billion stood higher by 17.0 per cent during the period under review. Surge in investment income payments was primarily on account of interest on debt flows like NRI deposits, ECBs and short-term trade credits besides higher level of reinvested earnings. Higher interest payment during the year may partly be attributed to deregulation of interest rate on NRI rupee deposits, increase in cap on FCNR deposits and higher level of ECB debts.
- Decline in primary income receipts coupled with the increase in primary income payments led to widening of primary income deficit to US$ 10.5 billion during H1 of 2012-13 from US$ 7.6 billion a year ago.

Secondary Income

- Net secondary income receipts that primarily comprise private transfers recorded a modest growth of 8.2 per cent to US$ 32.9 billion during the year (US$ 30.4 billion a year ago).
- NRI deposits, when withdrawn domestically, form part of private transfers as they become unilateral transfers and do not have any *quid pro quo.* During H1 of 2012-13, the share of local withdrawals in total outflows from NRI deposits was 63.6 per cent as compared to 66.5 per cent in the previous year (Table 4).
- Under private transfers, the inward remittances for family maintenance accounted for 49.6 per cent of the total private transfer receipts, while local withdrawals accounted for 46.4 per cent during 2011-12 (Table 5).

Table 4: Inflows and Outflows from NRI Deposits and Local Withdrawals

(US$ Billion)

Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2010-11 (PR)	49.3	46.0	26.2
2011-12 (PR)	64.3	52.4	32.5
Apr-Sep 2011 (PR)	27.6	23.6	15.7
Apr-Sep 2012 (P)	34.4	25.0	15.9

P: Preliminary. PR: Partially Revised. R: Revised.

Current Account Balance

- Worsening trade deficit, deteriorating income account (primary and secondary taken together) coupled with decline in net services during the first half of financial year 2012-13 resulted in widening of CAD. The CAD during H1 of 2012-13 stood at US$ 38.7 billion as compared with US$ 36.3 billion during the same period of 2011-12 (as a proportion to GDP 4.6 per cent H1 of 2012-13 from 4.0 per cent during the same period of the previous year).

Capital and Financial Account

- Net inflows under capital and financial account (excluding changes in reserve assets) at US$ 39.7 billion stood lower than that recorded in the previous year (US$ 43.4 billion) primarily on account of decline in FDI flows to India, borrowings by banks and commercial borrowings. However, there was improvement in inflows under trade credits, NRI deposits and portfolio investment.

Table 5: Details of Personal Transfers to India

(US$ Billion)

Year	Total Private Transfers	Of which: Inward remittances for family maintenance		Local withdrawals/ redemptions from NRI Deposits	
		Amount	Percent-age Share in Total	Amount	Percent-age Share in Total
1	2	3	4	5	6
2010-11 (PR)	55.6	27.4	49.3	26.2	47.1
2011-12 (PR)	66.1	31.3	47.4	32.5	49.2
Apr-Sep 2011 (PR)	31.7	15.1	47.6	15.4	48.6
Apr-Sep 2012 (P)	34.3	17.0	49.6	15.9	46.4

P: Preliminary. PR: Partially Revised. R: Revised.

Capital Account

- The capital account recorded a deficit of US$ 0.5 billion during H1 of 2012-13 as compared with a marginal deficit a year ago.

Financial Account

- Net flows under the financial account (excluding changes in reserve assets) during H1 of 2012-13 were lower compared with that in 2011-12 (Table 3). Decline in inflows under financial account has been significant in case of inward FDI, ECBs and borrowings by the banks.
- Net FDI to India (Inward FDI minus outward FDI) at US$ 12.8 billion stood lower than the previous year level mainly led by steep decline in the inward FDI. Sector-wise, the decline in FDI inflows during the period was mainly on account of decline in flows under sectors, *viz.*, manufacturing, financial services, business services and communication services (Table 6). Country-wise, investment routed through Mauritius remained, as in the past, the largest component, followed by Singapore and the Netherlands (Table 7).
- FDI by India (*i.e.*, outward FDI) in net terms moderated by around 43.9 per cent to US$ 3.4 billion during H1 of 2012-13 (US$ 6.1 billion a year ago) due to lower outflows under both equity investment and other capital (inter-company borrowings) besides higher repatriation of FDI by India. Sector-wise, moderation in outward FDI was observed in 'agriculture, hunting, forestry & fishing', 'financial insurance, real estate & business services', and 'transport, storage and communication services'. Furthermore, sectors, *viz.*, 'financial, insurance, real estate & business services' and manufacturing continued to account for more than 50 per cent of total outward FDI during H1 of 2012-13 (Table 6).

Table 6: Sector-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	2011-12	2011	2012	Industry	2011-12	2011	2012
		Apr-Sep				Apr-Sep	
1	2	3	4	5	6	7	8
Manufacture	9.3	6.9	3.2	Manufacturing	3.2	1.56	1.60
Financial Services	2.6	1.9	1.1	Financial, Insurance, Real Estate and Business Services	3.3	1.72	1.14
Electricity and others	1.4	0.8	0.8	Transport, Storage and Communication Services	2	1.13	0.78
Construction	2.6	1.1	0.6	Wholesale, Retail Trade, Restaurants and Hotels	1.2	0.48	0.37
Business Services	1.6	1.1	0.3	Construction	0.5	0.28	0.37
Restaurants and Hotels	0.9	0.4	3.0	Agriculture , Hunting, Forestry and Fishing	0.5	0.32	0.12
Computer Services	0.7	0.4	0.2	Community, Social and Personal Services	0.4	0.11	0.12
Communication Services	1.5	1.5	0	Electricity, Gas and Water	0.1	0.02	0.05
Others	2.9	1.6	1.3	Miscellaneous	0.1	0.06	0.02
Total	**23.5**	**15.7**	**10.5**	**Total**	**11.3**	**5.7**	**4.6**

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.
*: Includes equity (except that of individuals and banks), loans and guarantee invoked, and hence are not comparable with data in other tables.

- Direction-wise (*i.e.*, in terms of recipient countries), investment routed through Mauritius constituted the largest component of gross outward FDI during the period, followed by Singapore (Table 7).
- During April-September 2012-13, the outward FDI in joint ventures (JVs) and wholly owned subsidiaries (WOSs) stood at US$ 4.6 billion, around 21 per cent lower than that during preceding year. During H1 of 2012-13, investment financed through equity recorded a decline of 11.1 per cent compared to the loan component which declined by 31.2 per cent over a year ago. Accordingly, the share of equity in total outward FDI increased to 51.3 per cent as compared with 45.9 per cent in the preceding year (Table 8).
- FII investment flows remained volatile throughout the year. On net basis, FII inflows increased sharply to US$ 6.2 billion during H1 of 2012-13 as compared with a marginal inflow of US$ 0.9 billion recorded in the preceding year.
- Inflows under currency and deposits by banking sector (NRI deposits) doubled and stood at US$ 9.4 billion as compared with an inflow of US$ 3.9 billion a year ago. Rise in NRI deposits may be attributed to weakening of rupee and deregulation of interest rate on NRI deposits.
- Net loans availed by non-Government and non-banking sectors (net ECBs) were lower at US$ 1.7 billion as compared with US$ 8.4 billion in H1 of 2011-12 on account of lower fresh disbursal as well as large repayment of ECBs during Q1 and Q2 of 2012-13. Net inflows under short-term trade credit increased to US$ 9.5 billion during

Table 7: Country-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	2011-12	Apr-Sep		Country	2011-12	Apr-Sep	
		2011	2012			2011	2012
1	2	3	4	5	6	7	8
Mauritius	8.1	5.5	5.2	Mauritius	2.6	1.6	0.9
Singapore	3.3	2.3	0.9	Singapore	2.2	1.4	0.9
Netherlands	1.3	0.8	0.9	USA	1	0.7	0.6
Japan	2.1	1.6	0.8	Netherlands	1.3	0.6	0.4
UK	2.8	2.6	0.6	UK	0.5	0.1	0.2
Cyprus	1.6	0.6	0.3	UAE	0.4	0.2	0.4
U.S.A	1	0.5	0.2	British Virgin Islands	0.6	0.2	0.1
UAE	0.3	0.2	0.1	Australia	0.3	0	0.1
South Korea	0.2	0.1	0.2				
Others	2.8	1.5	1.3	Others	2.4	0.9	1.0
Total	**23.5**	**15.7**	**10.5**	**Total**	**11.3**	**5.7**	**4.6**

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.
*: Includes equity (except that of individuals and banks), loans and guarantee invoked, and hence are not comparable with data in other tables.

Table 8: India's Outward FDI

(US$ Billion)

Period	Equity*	Loan	Guarantees Invoked	Total
Apr-Sep 2012-13	2.4 (51.3)	2.2 (48.1)	0.03 (0.6)	**4.6**
Apr-Sep 2011-12	2.7 (45.9)	3.2 (54.1)	– –	**5.8**
2011-12	5.3 (47.8)	5.8 (52.2)	0.0	**11.1**
2010-11	9.3 (55.1)	7.5 (44.9)	0.01 (0.1)	**16.8**

*: The equity data do not include equity of individuals and banks.
Note: Figures in brackets relate to percentage share in total outward FDI for the period.

the same period from US$ 5.9 billion recorded a year ago.

- Net loans availed by banks witnessed a steep decline from US$ 15.4 billion during last year to US$ 5.0 billion during H1of 2012-13. 'Other receivables/ payables' that include 'leads and lags in exports', 'SDR allocation', 'net funds held abroad', 'advances received pending issue of shares under FDI', 'rupee debt service' and 'other capital not included elsewhere' recorded a higher net outflow of US$ 3.6 billion in H1 of 2012-13 as compared with a net outflow of US$ 3.2 billion in the corresponding period of preceding year (Table 9). 'Leads & lags' in exports' also include trade credit extended by Indian exporters to non-residents.

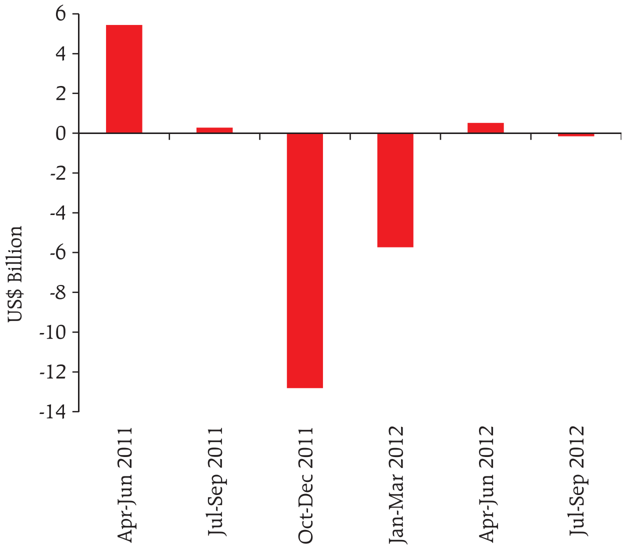
Table 9: Details of 'Other Receivables/Payables' (Net)

(US$ Billion)

Item	Apr-Mar		Apr-Sep	
	2010-11 (PR)	2011-12 (PR)	2011-12 (PR)	2012-13 (P)
1	2	3	4	5
Lead and Lags in Exports	-8.8	-10.4	-8.8	-6.6
Net Funds Held Abroad	-5.4	-2.8	-0.2	-2.5
Advances Received Pending Issue of Shares under FDI	6.9	2.7	2.9	3.1
Other capital not included elsewhere#	-3.8	3.6	-3.2	-3.6
Total (1 to 5)	**-11.1**	**-6.9**	**-9.3**	**-9.6**

#: Inclusive of derivatives and hedging, migrant transfers and other capital transfers.
P: Preliminary. PR: Partially Revised.

Chart 4: Variation in India's Foreign Exchange Reserves (BOP Basis)



Reserve Variation

- There was small accretion to foreign exchange reserves to the extent of US$ 0.36 billion during April-September 2012 (Chart 4). In nominal terms (*i.e.*, including valuation changes), foreign exchange reserves increased by US$ 0.42 billion during the period reflecting depreciation of US dollar against the major international currencies. At the end of September 2012, the level of foreign exchange reserves stood at US$ 294.8 billion.

Difference between DGCI&S and Balance of Payments Imports

- The data on imports based on DGCI&S (customs statistics) and the BoP (banking channel data) are given in Table 10. The difference between two sets of data are likely to get reduced when both the data sets would be later revised (Table 10).

Table 10: DGCI&S and the BoP Import Data

(US$ Billion)

	Apr-Mar		Apr-Sep 2011-12	Apr-Sep 2012-13
	2010-11	2011-12		
1. BoP Imports	381.1	499.5	247.7	237.2
2. DGCI&S Imports	369.8	488.7	242.8	232.9
3. Difference (1-2)	11.3	10.8	4.9	4.3