*Developments in India's Balance of Payments during Second Quarter (July-September) of 2013-14**

The data on India's Balance of Payments (BoP) are 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 during the second quarter (July September) of 2013-14.

Balance of Payments during July-September (Q2) of 2013-14

India's BoP outlook improved in Q2 of 2013-14 as Current Account Deficit (CAD) recorded a steep decline owing to a significant contraction of trade deficit. The positive development was, however, offset to some extent by a net outflow of portfolio investment in Q2 of 2013-14 after an indication by US Fed on the probable tapering of its quantitative easing. Slowdown in net capital inflows and a downward pressure on the exchange rate led to a drawdown of foreign exchange reserves during the quarter. The developments in the major items of the BoP for Q2 of 2013-14 are set out below in Table 1.

Goods Trade

- On a BoP basis, merchandise exports increased by 11.9 per cent to US$ 81.2 billion in Q2 of 2013-14 as against a decline of 8.8 per cent in Q2 of 2012-13. The surge in exports largely reflected renewed export demand from advanced economies and correction in rupee value apart the impact of various measures taken by the Government to boost exports.
- Broad based export growth was reflected both in terms of destination countries as well as commodities. In Q2 of 2013-14, exports to EU, US, Switzerland, Saudi Arabia, China, Hong Kong and Malaysia grew significantly. Commodity-wise analysis shows that rice, oil meal, marine products, raw cotton, iron ore, engineering goods and readymade garments witnessed a significant growth during the quarter.
- On a BoP basis, imports at US$ 114.5 billion, recorded a decline of 4.8 per cent in Q2 of 2013-14 as compared with a decline of 3.0 per cent in Q2 of 2012-13. The decline was mainly attributed to a moderation in gold imports by about 65 per cent in Q2 of 2013-14.
- Apart from the measures taken by the Reserve Bank and the Government to curb gold imports,

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

(US$ Billion)

	Jul-Sep		Apr-Sep	
	2013-14 (P)	**2012-13 (PR)**	**2013-14 (P)**	**2012-13 (PR)**
1. Goods Exports	81.2	72.6	155.2	147.6
2. Goods Imports	114.5	120.4	238.9	239.2
3. Trade Balance(1-2)	**-33.3**	**-47.8**	**-83.8**	**-91.6**
4. Services Exports	36.7	35.0	73.2	70.8
5. Services Imports	18.3	18.7	37.9	39.5
6. Net Services (4-5)	**18.4**	**16.3**	**35.2**	**31.3**
7. Goods & Services Balances (3+6)	**-14.9**	**-31.5**	**-48.5**	**-60.3**
8. Primary Income, Net (Compensation of employees and Investment Income)	-6.3	-5.6	-11.2	-10.5
9. Secondary Income, Net (Private Transfers)	16.1	16.1	32.8	32.9
10. Net Income (8+9)	**9.8**	**10.5**	**21.6**	**22.4**
11. Current Account Balance (7+10)	**-5.2**	**-21.0**	**-26.9**	**-37.9**
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	-5.4	20.6	15.1	37.0
13. Change in Reserves (-) increase/(+)decrease	10.4	0.2	10.7	-0.4
14. Errors & Omissions (-) (11+12+13)	0.2	0.2	1.1	1.3

P: Preliminary; PR: Partially Revised.

* Prepared in the Division of International Trade and Finance, Department of Economic and Policy Research, Reserve Bank of India. Time series data on BoP are available on RBI website at dbie.rbi.org.in. In addition, the disaggregated quarterly data on invisibles are being released separately on RBI website.

including gradual increase in customs duty on gold imports, decline in the international price of gold by about 20 per cent at US$ 1328 per troy ounce also reduced gold imports in Q2 of 2013-14.

Trade Deficit

- With a surge in exports coupled with a moderation in imports, the trade deficit narrowed to US$ 33.3 billion (7.9 per cent of GDP) in Q2 of 2013-14 as compared with that at US$ 47.8 billion (11.4 per cent of GDP) in Q2 of 2012-13 (Chart1).

Services

- Notwithstanding a decelerated growth in services, net services receipts stood at US$ 18.4 billion, recording a rise of 12.5 per cent in Q2 of 2013-14 as compared to a growth of 16.8 per cent at US$ 16.3 billion in Q2 of 2012-13. This was mainly due to contraction in imports of services in Q2 of 2013-14.
- In Q2 of 2013-14, services exports recorded a moderate growth of 4.7 per cent at US$ 36.7 billion as compared to a growth of 8.4 per cent at US$ 35.0 billion in Q2 of 2012-13. Rise in exports was mainly reflected in travel, construction, telecommunication and computer services, financial services, professional, management and consultancy services and technical trade related services.
- In contrast, services imports recorded a decline of 2.1 per cent at US$ 18.3 billion in Q2 of 2013-14 as against a growth of 2.0 per cent at US$18.7 billion in Q2 of 2012-13. The decline was primarily led by lower payments on account of transport, travel, royalty and charges for intellectual property rights (Table 2).

Income

Net outflow on account of primary income (profit, dividend and interest) amounting to US$ 6.3 billion in Q2 of 2013-14 was higher than that in Q2 of 2012-13 essentially reflecting an increase in outflows on account of investment income on equity and investment shares. In contrast, net secondary income comprising, mainly the personal transfers, remained at the level recorded in Q2 of 2012-13.

- Notwithstanding a rise in investment income receipts, largely representing earning on foreign currency assets, by 15.7 per cent in Q2 of 2013-14, net outflow under investment income increased

Chart 1: Quarterly Movements in Trade Balance

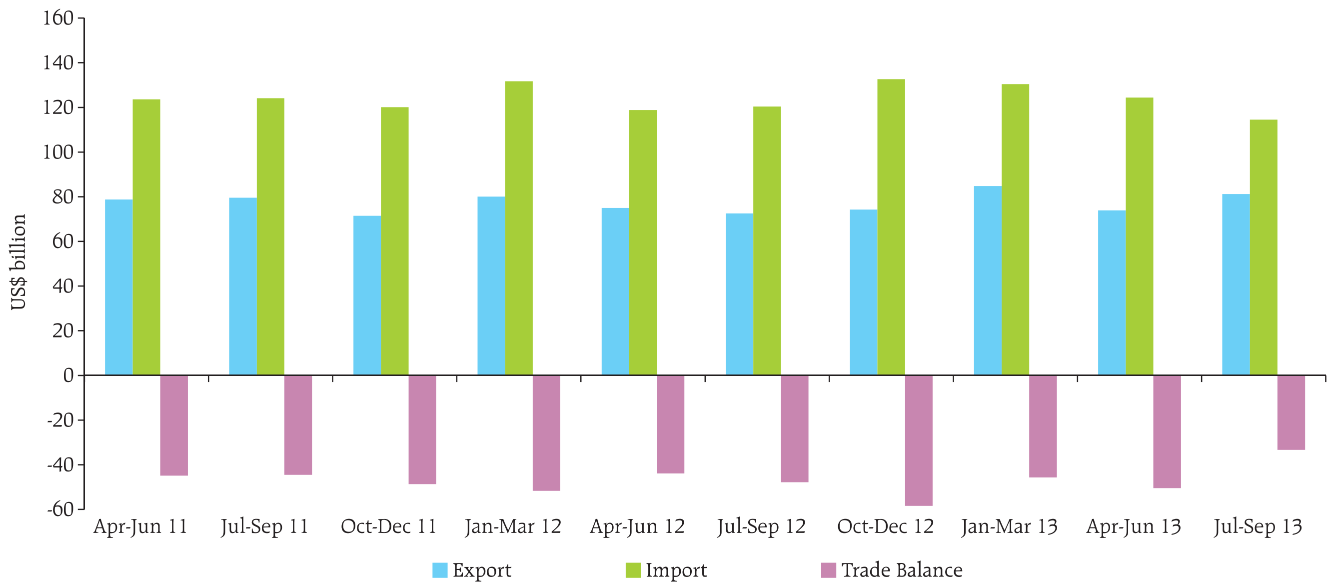


Table 2: Disaggregated Items of Current Account (Net)

(US$ Billion)

	Jul-Sep		Apr-Sep	
	2013-14 (P)	2012-13 (PR)	2013-14 (P)	2012-13 (PR)
1. Goods	**-33.3**	**-47.8**	**-83.8**	**-91.6**
2. Services	**18.4**	**16.3**	**35.2**	**31.3**
2.a Transport	0.7	0.1	1.1	0.7
2.b Travel	0.9	1.0	1.7	1.4
2.c Construction	-0.01	-0.01	-0.001	-0.1
2.d Insurance and pension services	0.3	0.3	0.5	0.5
2.e Financial Services	0.7	0.2	0.2	0.1
2.f Charges for the use of intellectual property	-0.5	-1.0	-1.5	-1.8
2.g Telecommunications, computer and information services	16.6	15.8	32.9	31.0
2.h Personal, cultural and recreational services	0.1	0.1	0.3	0.1
2.i Government goods & services	-0.2	-0.02	-0.3	-0.03
2.j Other Business services	0.4	0.4	1.0	-0.2
2.k Others *n.i.e.*	-0.6	-0.2	-0.5	-0.3
3. Primary Income	**-6.3**	**-5.6**	**-11.2**	**-10.5**
3.a Compensation of Employees	0.1	0.3	0.2	0.5
3.b Investment Income	-6.6	-6.0	-11.7	-11.1
3.c Compensation of Employees	0.2	0.1	0.3	0.1
4. Secondary Income	**16.1**	**16.1**	**32.8**	**32.9**
4.a Personal Transfers	15.7	15.5	31.9	31.6
4.b. Other Transfers	0.6	0.5	1.2	1.3
5. Current Account (1+2+3+4)	**-5.2**	**-21.0**	**-26.9**	**-37.9**

P: Preliminary; PR: Partially Revised.

on account of a rise in investment income payments by 10.8 per cent mainly attributed to higher interest payments on equity and fund share investments.

- Net secondary income, however, rose marginally as growth in gross transfer receipts in the form of remittances from overseas Indians remained lower at 2.6 per cent as compared with 4.0 per cent in Q2 of 2012-13.

Current Account

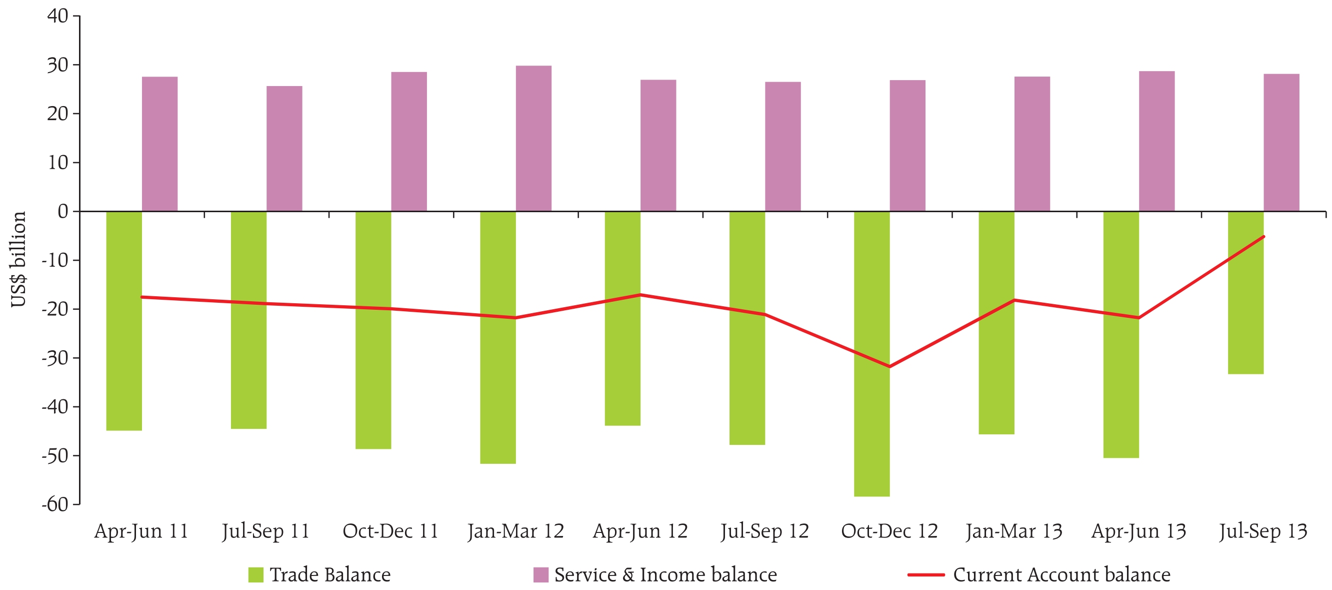
- Narrowing trade deficit coupled with an improvement in net invisible receipts, primarily led by a rise in net services exports, resulted in a sharp contraction in CAD in Q2 of 2013-14. CAD narrowed to US$ 5.2 billion in Q2 of 2013-14 from US$ 21.0 billion in Q2 of 2013-14, also much lower than the CAD of US$ 21.8 billion in Q1 of 2013-14. As a per cent of GDP, CAD declined to 1.2 per cent in Q2 of 2013-14 from 5.0 per cent in Q2 of 2012-13 (4.9 per cent in Q1 of 2012-13) (Chart 2).

Capital & Financial Account

Capital account, which includes, *inter alia*, 'net acquisition of non-produced non-financial assets' and 'other capital receipts including migrant transfers', showed a negligible outflow on a net basis. Financial account, excluding changes in reserves, witnessed a significant outflow in Q2 of 2013-14 primarily led by significant withdrawal of portfolio investment, particularly from the debt segment (Table 3). The portfolio outflows occurred after the first indication by the US Fed on May 22, 2013 about the likely tapering of its quantitative easing programme. Repayment of overseas loans and trade credit also contributed to the outflow in Q2 of 2013-14.

- There was a net outflow under financial account (excluding foreign exchange reserves) of US$ 5.3 billion in Q2 of 2013-14 as against a net inflow of US$ 20.8 billion in Q2 of 2012-13. The outflow was mainly attributed to net outflow of portfolio investment of US$ 6.6 billion in Q2 of 2013-14 as

Chart 2: Movement in Current Account Balance



against net inflow of US$ 7.6 billion in Q2 of 2012-13.

- There was a net repayment of external loans by Indian banks amounting to US$ 6.7 billion in Q2 of 2013-14 as against a net overseas borrowing of US$ 2.0 billion in Q2 of 2012-13.
- Although Indian corporate sector resorted to lower external commercial borrowings (ECBs) in Q2, lower repayments of ECBs led to a marginally higher inflows under net external loans availed by non-Government and non-banking sectors, *i.e.*, net ECBs at US$ 1.3 billion in Q2 of 2013-14 as compared to a net inflow of US$1.2 billion in Q2 of 2012-13.
- Under trade credit, higher repayments led to a net outflow of US$ 1.9 billion in Q2 of 2013-14 as against a net inflow of US$ 4.1 billion in Q2 of 2012-13.
- Net FDI inflows to India (inward FDI minus outward FDI) also declined to US$ 6.9 billion in Q2 of 2013-14 from US$ 8.2 billion in Q2 of 2012-13.
- Under 'currency & deposits', net inflows of NRI deposits amounted to US$ 8.3 billion in Q2 of 2013-14 as compared to US$ 2.8 billion in the corresponding quarter of 2012-13.
- Despite a low CAD, there was a drawdown of foreign exchange reserves to the tune of US$ 10.4 billion in Q2 of 2013-14 as compared to that of US$ 0.2 billion in Q2 of 2012-13 as net capital inflows moderated sharply during the quarter owing mainly to FII outflows.

Balance of Payments during April-September 2013

Improvement in India's BoP position was reflected in the contraction of CAD in H1 of 2013-14 as trade deficit narrowed, primarily led by the recovery in exports and moderation of imports in Q2 of 2013-14, and rise in net invisibles in H1 of 2013-14. There was, however, net outflow of capital in the form of portfolio investment in H1 of 2013-14 that mainly occurred in Q2 of 2013-14 triggered by the first indication of quantitative easing by the US Fed. As a result, there was a drawdown of reserve to the tune of US$ 10.7 billion in H1 of 2013-14.

Table 3: Disaggregated Items of Financial Account (Net)

(US$ Billion)

	Jul-Sep		Apr-Sep	
	2013-14 (P)	2012-13 (PR)	2013-14 (P)	2012-13 (PR)
1. Direct Investment (net)	**6.9**	**8.2**	**13.4**	**12.0**
1.a Direct Investment to India	7.5	9.5	14.0	15.4
1.b Direct Investment by India	-0.6	-1.4	-0.6	-3.5
2. Portfolio Investment	**-6.6**	**7.6**	**-6.8**	**5.6**
2.a Portfolio Investment in India	-6.6	7.9	-7.0	6.2
2.b Portfolio Investment by India	-0.04	-0.3	0.2	-0.6
3. Other investment	**-4.0**	**5.6**	**10.0**	**21.0**
3.a Other equity (ADRs/GDRs)	0.0	0.1	0.02	0.2
3.b Currency and deposits	8.4	3.5	14.0	9.9
Deposit-taking corporations, except the central bank (NRI Deposits)	8.3	2.8	13.8	9.4
3.c Loans*	-5.3	3.0	0.6	6.6
3.c.i Loans to India	-5.5	3.3	0.0	6.8
Deposit-taking corporations, except the central bank	-6.7	2.0	-2.0	5.0
General government (External Assistance)	-0.1	0.1	0.2	0.3
Other sectors (External Commercial Borrowings)	1.3	1.2	1.7	1.6
3.c.ii Loans by India	0.2	-0.3	0.6	-0.3
General government (External Assistance)	-0.1	-0.1	-0.1	-0.1
Other sectors (External Commercial Borrowings)	0.2	-0.3	0.7	-0.1
3.d Trade credit and advances	-1.9	4.1	0.6	9.5
3.e Other accounts receivable/payable-other	-5.3	-5.1	-5.2	-5.2
4. Financial Derivatives	**-1.6**	**-0.5**	**-2.1**	**-1.0**
5. Reserve assets	**10.4**	**0.2**	**10.7**	**-0.4**
Financial Account (1+2+3+4+5)	**5.0**	**21.0**	**25.1**	**37.1**

P: Preliminary; PR: Partially Revised.

- In H1 of 2013-14. India's merchandise exports recorded a growth of 5.1 per cent at US$ 155.2 billion as against a decline of 6.8 per cent at US$ 147.6 billion in H1 of 2012-13.
- A significant decline in gold imports in Q2 of 2013-14 kept the imports at almost the same level recorded in H1 of 2012-13.
- At a disaggregated level, rise in exports in H1 of 2013-14 can be primarily attributed to the turnaround in the exports of two major commodity groups, *viz.,* manufactured goods and petroleum products. Within the manufacturing sector, exports of engineering goods, particularly transport equipments and iron and steel, showed significant improvement partly reflecting a renewed demand mostly from EU, US, Japan, Korea, Malaysia and Singapore.
- Among major commodity groups of imports, a decline was discernible in 'petroleum, petroleum products & related material' and 'capital goods' in H1 of 2013-14. While moderation in POL imports, despite a marginal rise in international oil price (Indian basket), reflected subdued domestic consumption demand, moderation in imports of capital goods indicates a slower investment activity in the domestic economy.
- Successive rise in import duty and other measures to curb gold import demand led to a sharp decline in gold imports by about 65 per cent in Q2 of 2013-14. As a result, gold imports increased only

marginally in H1 of 2013-14 despite a sharp rise in Q1 of 2013-14.

Trade Deficit

- Rise in exports and a slowdown in imports led to a considerable narrowing of trade deficit to US$ 83.8 billion in H1 of 2013-14 from US$ 91.6 in H1 of 2012-13. Apart from fall in imports of gold, exchange rate adjustments and recovery in global demand may have aided correction in India's trade deficit in H1 of 2013-14.

Services

- Net services receipts increased significantly by 12.6 per cent in H1 of 2013-14 as compared to a growth of 3.4 per cent in H1 of 2012-13. The rise was primarily led by a decline in service payments and a moderate growth in services exports during the period.
- While earning on services improved mainly on account of travel, construction, financial services, telecommunication, computer and information services, earnings under transport, insurance and other business services witnessed a decline in H1 of 2013-14 (y-o-y basis).
- Service payments declined primarily in transport, insurance and pension services, charges for intellectual property, professional and management consultancy services while sectors, *viz.*, travel financial services, telecommunication, computer and information services recorded a rise in payments in H1 of 2013-14 (y-o-y basis).

Income

Primary income

Under primary income higher payments offsetting rise in receipts under primary income led to higher net outflow of US$ 11.2 billion in H1 of 2013-14 as compared with US$ 10.5 billion in H1 of 2012-13.

- Investment income receipts showed a rise of 18.1 per cent at US$ 3.7 billion in H1 of 2013-14 as against a decline of 19.4 per cent in H1 of 2012-13 mainly on account of higher interest earnings on foreign exchange reserves. Receipts on account of compensation of employees also showed a rise of 2.9 per cent at US$ 1.6 billion in H1 of 2013-14.
- In H1 of 2013-14, investment income payments, rose by 8.3 per cent at US$ 15.3 billion from US$ 14.2 billion in H1 of 2012-13 (growth of 16.7 per cent) resulting in a marginal increase in net outflow under primary income in H1 of 2013-14. Surge in payments primarily reflected payments on account of equity and investment fund shares.

Secondary income

Net secondary income receipts remained almost stable with a marginal decline of 0.4 per cent at US$ 32.8 billion in H1 of 2013-14 from US$ 32.9 billion in H1 of 2012-13.

- NRI deposits, when withdrawn domestically, form part of private transfers as they become unilateral transfers. In H1 of 2013-14 the share of local withdrawals in total outflows from NRI deposits was 63.1 per cent, similar to the share of 63.7 per cent in H1 of 2012-13 (Table 4).
- Under private transfers, the inward remittances for family maintenance accounted for 49.6 per cent of total private transfer receipts, while local withdrawals accounted for 46.4 per cent in H1 of 2013-14. (Table 5)

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

(US $ Billion)

Year	Inflows	Outflows	Local Withdrawals
2012-13 (P)	65.3	50.5	32.0
2011-12 (PR)	64.3	52.4	32.5
Apr-Sep 2013-14	38.5	24.6	15.6
Apr-Sep 2012-13	34.4	25.0	15.9

P: Preliminary. PR: Partially Revised.

Table 5: Details of Private Transfers to India

(US$ Billion)

Year	Total Private Transfers	Of Which:			
		Inward remittances for family maintenance		Local withdrawals/ redemptions from NRI Deposits	
		Amount	Percentage Share in Total	Amount	Percentage Share in Total
2012-13 (PR)	67.6	33.0	48.9	32.0	47.2
2011-12 (PR)	66.1	31.3	47.3	32.5	49.1
Apr-Sep 2013-14 (PR)	35.2	18.3	52.0	15.6	44.2
Apr-Sep 2012-13 (P)	34.3	17.0	49.6	15.9	46.4

P: Preliminary. PR: Partially Revised.

Current Account Balance

CAD narrowed sharply in H1 of 2013-14 to US$ 26.9 billion from US$ 37.9 billion in H1 of 2012-13 owing to a substantial improvement in merchandise trade balance coupled with a rise in net service receivables. As a proportion to GDP, CAD stood at 3.1 per cent in H1 of 2013-14 declining from 4.5 per cent in H1 of the preceding year.

Capital and Financial Account

Net inflows under capital and financial account (excluding changes in reserve assets) at US$ 15.1 billion stood lower than that recorded in the previous year (at US$ 37.0 billion). This was primarily on account of net outflows under portfolio investment and loans (net) availed by deposit taking corporations.

- Capital account recorded a surplus of about 0.7 billion in H1 of 2013-14 as compared with a deficit of US$ 0.5 billion in H1 of 2012-13.
- Net flows under the financial account (excluding changes in reserve assets) during H1 of 2013-14 were significantly lower than that in H1 of 2012-13 (Table 3). Decline in inflows under financial account was mainly due to FII outflows which had begun since the last week of May 2013 after Fed's first indication on QE tapering. Further, there was significant rise in repayments of overseas borrowings and a build-up of overseas foreign currency assets by banks in India.
- Notwithstanding a lower inward FDI, the net FDI to India (Inward FDI minus outward FDI) at US$ 14.0 billion stood higher in H1 of 2013-14 than the previous year's level. It was mainly due to lower outward FDI by India during the period. Sector-wise, moderation in FDI inflows was evident across sectors, *viz.*, manufacturing, financial services, business services, electricity and restaurants and hotels (Table 6).

Table 6: Sector-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	2012-13	Apr-Sep 2013	Apr-Sep 2012	Industry	2012-13	Apr-Sep 2013	Apr-Sep 2012
1	2	3	4	5	6	7	8
Manufacture	6.5	2.8	3.2	Agriculture, Hunting, Forestry Fishing and Mining	1.1	0.2	0.1
Financial Services	2.8	0.6	1.6	Financial, Insurance, Real Estate and Business Services	2.9	0.8	1.1
Construction	2.6	0.6	0.6	Manufacturing	3.4	1.3	1.6
Electricity and others	1.4	0.4	0.8	Transport, Storage and Communication Services	1.7	0.5	0.9
Business Services	1.6	0.2	0.4	Wholesale, Retail Trade, Restaurants and Hotels	0.8	0.2	0.4
Restaurants and Hotels	0.9	0.1	3	Construction	0.6	0.1	0.4
Computer Services	0.7	0.1	0.1	Electricity, Gas and Water	0.1	0.1	0.1
Communication Services	1.5	0	0	Community, Social and Personal Services	0.3	0.1	0.1
Others	0.3	1.5	0.7	Miscellaneous	0	0	0.1
Total	**18.3**	**6.3**	**10.4**	**Total**	**10.9**	**3.3**	**4.8**

#: 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 7: Country-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	2012-13	Apr-Sep 2013	Apr-Sep 2012	Country	2012-13	Apr-Sep 2013	Apr-Sep 2012
1	2	3	4	5	6	7	8
Mauritius	8.1	1.9	5.2	Mauritius	1.8	0.7	0.9
Singapore	1.6	1.3	0.9	Singapore	1.8	0.6	0.9
Japan	1.3	0.5	0.7	Netherlands	1	0.5	0.4
Netherlands	1.7	0.4	0.9	USA	1.4	0.5	0.6
U.S.A	0.5	0.3	0.2	British Virgin Islands	0.4	0.1	0.1
Cyprus	0.4	0.3	0.2	UK	0.6	0.1	0.2
UAE	0.2	0.2	0.1	UAE	0.7	0.1	0.3
South Korea	0.2	0.1	0.2	Cyprus	0.1	0.1	0
UK	1	0	0.6	Switzerland	0.5	0.1	0.2
Others	3.3	1.3	1.4	Others	2.6	0.5	1.2
Total	**18.3**	**6.3**	**10.4**	**Total**	**10.9**	**3.3**	**4.8**

#: 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.

- FDI by India (*i.e.*, outward FDI) in net terms moderated by around 83 per cent to US$ 0.6 billion during H1 of 2013-14 (US$ 3.5 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 'financial insurance, real estate & business services', 'manufacturing', 'transport, storage and communication services', 'wholesale, retail trade, restaurants and hotels' and 'construction'. Furthermore, sectors, *viz.*, 'financial, insurance, real estate & business services' and 'manufacturing' accounted for more than 60 per cent of total outward FDI during H1 of 2013-14 (Table 6).
- 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 H1 of 2013-14, the outward FDI in joint ventures (JVs) and wholly owned subsidiaries (WOSs) stood at US$ 3.3 billion, around 31 per cent lower than that during the preceding year. During H1 of 2013-14, investment financed through equity recorded a sharper decline of 42.5 per cent compared to the loan component which declined by 18.5 per cent over a year ago. Accordingly, the share of loan in total outward FDI increased to 56.1 per cent as compared with 47.3 per cent in the preceding year (Table 8).
- FII investment flows have remained volatile in H1 of 2013-14. With US Fed's announcement on May

Table 8: India's Outward FDI

(US$ Billion)

Period	Equity*	Loan	Guarantees Invoked	Total
Apr-Sep 2013-14 (P)	1.4 (43.6)	1.8 (56.1)	0.01 (0.3)	**3.3**
Apr-Sep 2012-13 (PR)	2.5 (52.1)	2.3 (47.3)	0.03 (0.6)	**4.8**
2012-13	6.4 (58.3)	4.5 (41.1)	0.06 (0.6)	**10.9**
2011-12	5.5 (48.5)	5.9 (51.5)	0.0 (0.0)	**11.4**

*: 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.

22, 2013 regarding possible tapering of quantitative easing program, most emerging market economies, including India, witnessed FII outflow. On net basis, there was an outflow of US$ 6.8 billion during H1 of 2013-14 as compared with a significant inflow of US$ 5.6 billion recorded in the corresponding period of 2012-13.

- Inflows under currency and deposits by banking sector (NRI deposits) increased significantly during H1 of 2013-14 and stood at US$ 14.0 billion as compared with an inflow of US$ 9.9 billion a year ago. Rise in NRI deposits may be attributed to weakening of rupee and also partly to swap window offered by the Reserve Bank for banks in India. Under the scheme, introduced on September 4, 2013, banks were offered to swap the fresh FCNR(B) dollar funds with the Reserve Bank. Fresh FCNR(B) deposits were mobilised for a minimum tenor of three years and swapped at a fixed rate of 3.5 per cent per annum for the tenor of the deposit.

- Net loans availed by non-Government and non-banking sectors (net ECBs) were of order of US$ 1.7 billion in H1 of 2013-14, marginally higher than US$ 1.6 billion in H1 of 2012-13. Net inflows under short-term trade credit declined sharply to US$ 0.6 billion during the same period from US$ 9.5 billion recorded a year ago largely reflecting subdued trend in imports.

- With a significant rise in repayment of loans availed by banks, net flows under loans availed by banks turned negative in H1 of 2013-14. This was despite the fact that gross loans availed by banks recorded an increase of 8.6 per cent in H1 of 2013-14. Net outflows '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' were almost at the level recorded in the corresponding period of preceding year (Table 9).

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

(US $ Billion)

Item	2012-13 (P)	2011-12 (PR)	April-September	
			2012-13 (PR)	2013-14 (P)
Lead and Lags in Exports	-10.8	-10.4	-6.9	-8.2
Net Funds Held Abroad	-8.6	-2.8	-2.8	-3.1
Advances Received Pending Issue of Shares under FDI	9.2	2.7	3.1	4.6
Other capital not included elsewhere#	7.5	3.6	1.5	1.5
Total	**-2.7**	**-6.9**	**-5.2**	**-5.2**

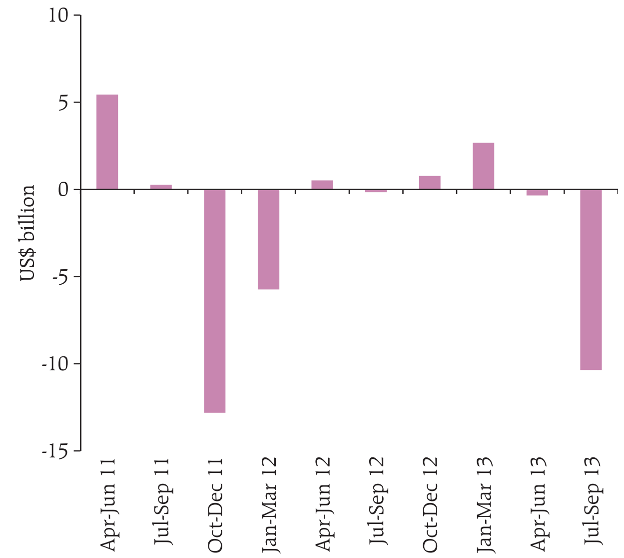
#: Inclusive of derivatives and hedging, migrant transfers SDR allocation, rupee debt service and other capital transfers.
P: Preliminary. PR: Partially Revised.

'Leads & lags' in exports' also include trade credit extended by Indian exporters to non residents.

Reserve Variation

- There was a drawdown of foreign exchange reserves to the extent of US$ 10.7 billion in H1 of 2013-14 as against an accretion of US$ 0.4 billion in the corresponding period of the previous year. In nominal terms (including the valuation effects) reserves declined by US$ 14.8 billion in H1 of 2013-14 as against an increase of US$ 0.4 billion during the same period of preceding year.

Chart 3: Variation in India's Foreign Exchange Reserve (BoP Basis)



Difference between DGCI&S and Balance of Payments Imports

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

Table 10: DGCI&S and the BoP Import Data

(US$ Billion)

Item	2012-13	April-September	
		2013-14	2012-13
1. BoP Imports	502.2	238.9	239.2
2. DGCI&S Imports	490.7	232.2	236.5
3. Difference (1-2)	11.5	6.7	2.7