

*Developments in India's Balance of Payments during the Second Quarter (July-September) of 2014-15**

The data on India's balance of payments (BoP) are released by the Reserve Bank on a quarterly basis with a lag of one quarter. This article highlights the major developments in India's BoP during the second quarter (July-September) of 2014-15.

Highlights

- India's current account deficit (CAD) in Q2 of 2014-15 was relatively higher than in the preceding quarter primarily on account of a higher trade deficit (Table 1).
- With global demand conditions remaining subdued, merchandise exports growth slowed, while imports recorded a significant increase.
- Net services receipts improved in Q2 of 2014-15 from their level a year ago, largely on account of pick-up in telecommunication, computer and information services (Table 2).
- Net outflow on account of primary income, comprising investment income and compensation of employees, continued in Q2 of 2014-15, mainly due to a sharp increase in payments towards dividend on portfolio investment in India and interest on NRI deposits (Table 2).
- During Q2 of 2014-15, net receipts under secondary income, comprising mainly remittances, showed an improvement in relation to their level a year ago (local withdrawals from NRI deposits

constituted 37.5 per cent of total private transfers in H1 of 2014-15) (Tables 2 and 3).

- The current account deficit (CAD) increased to 2.0 per cent of GDP in Q2 of 2014-15 from 1.7 per cent of GDP in Q2 of 2013-14.
- Net capital inflows were driven by robust FDI inflows and a sharp turnaround in FII flows (Table 4).
- The increase in FDI inflows (y-o-y basis) occurred across all major sectors barring construction (Table 5) during H1 of 2014-15 and was primarily sourced from Mauritius, the USA, Singapore, the UK, Japan and Netherlands (Table 6).
- On the other hand, FDI by India witnessed moderation across all sectors during H1 of 2014-15 (Table 5) and Singapore remained the major destination of India's outward FDI (Table 6 and 7).
- Loans (net) availed by deposit taking corporations (commercial banks) recorded an outflow in Q2 of 2014-15 owing to higher repayments of overseas borrowings and a build-up of banks' overseas foreign currency assets.
- The amount of loans (net) of other sectors (*i.e.*, external commercial borrowings) at US\$ 1.4 billion was a tad higher than US\$ 1.3 billion in Q2 of 2013-14.
- Net inflows of NRI deposits were lower in Q2 of 2014-15 as compared with the level recorded in the corresponding period of the previous year.
- Net outflow under trade credits and advances at US\$ 0.2 billion was much lower in Q2 of 2014-15 than the outflow of US\$ 1.9 billion in Q2 of 2013-14.
- Other receivables/payables which include lead and lags in exports, net funds held abroad, advances received pending issue of shares under FDI and

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

other capital not included elsewhere recorded a net outflow of US\$ 3.4 billion during H1 of 2014-15 as compared to an outflow of US\$ 5.2 billion in the corresponding period of the previous year (Table 8).

- On a BoP basis¹, there was a net accretion of US\$ 6.9 billion to India's foreign exchange reserves during Q2 of 2014-15 as against a drawdown of US\$ 10.4 billion during the same period of the preceding year (Table 1).

¹ Excluding valuation changes in reserves due to cross-currency movements.

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

(US\$ Billion)

	Apr.-Sep.			Jul.-Sep.
	2014-15 (P)	2013-14 (PR)	2014-15 (P)	2013-14 (PR)
1. Goods Exports	167.0	155.2	85.3	81.2
2. Goods Imports	240.2	238.9	123.8	114.5
3. Trade Balance (1-2)	-73.2	-83.8	-38.6	-33.3
4. Services Exports	75.9	73.2	38.4	36.7
5. Services Imports	39.9	37.9	19.4	18.3
6. Net Services (4-5)	36.1	35.2	19.0	18.4
7. Goods & Services Balances (3+6)	-37.1	-48.6	-19.6	-14.9
8. Primary Income, Net (Compensation of employees and Investment Income)	-13.6	-11.2	-6.9	-6.3
9. Secondary Income, Net (Private Transfers)	32.8	32.8	16.3	16.1
10. Net Income(8+9)	19.2	21.6	9.5	9.8
11. Current Account Balance (7+10)	-17.9	-26.9	-10.1	-5.2
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	38.5	15.8	18.7	-4.8
13.Change in Reserves (-) increase/(+) decrease	-18.1	10.7	-6.9	10.4
14. Errors & Omissions -(11+12+13)	-2.5	0.5	-1.7	-0.4

P: Preliminary; PR: Partially Revised.

Table 2: Disaggregated Items of Current Account (Net)

(US\$ Billion)

	Apr.-Sep.		Jul.-Sep.	
	2014-15 (P)	2013-14 (PR)	2014-15 (P)	2013-14 (PR)
1. Goods	-73.2	-83.8	-38.6	-33.3
2. Services	36.1	35.2	19.0	18.4
2.a Transportation	1.0	1.1	0.4	0.7
2.b Travel	1.3	1.7	0.9	0.9
2.c Construction	0.28	0.00	0.06	0.0
2.d Insurance and pension services	0.6	0.5	0.3	0.3
2.e Financial Services	0.7	0.2	0.5	0.7
2.f Charges for the use of intellectual property	-2.0	-1.5	-0.8	-0.5
2.g Telecommunications, computer and information services	34.2	32.9	17.0	16.6
2.h Personal, cultural and recreational services	-0.1	0.3	-0.1	0.1
2.i Government goods and services	-0.2	-0.3	-0.1	-0.2
2.j Other Business services	1.1	1.0	0.3	0.4
2.k Others <i>n.i.e.</i>	-0.6	-0.5	0.5	-0.6
3. Primary Income	-13.6	-11.2	-6.9	-6.3
3.a Compensation of Employees	0.3	0.2	0.1	0.1
3.b Investment Income	-14.2	-11.7	-7.2	-6.6
3.c Other Primary Income	0.3	0.3	0.2	0.2
4. Secondary Income	32.8	32.8	16.3	16.1
4.a Personal Transfers	33.1	33.1	16.5	15.7
4.b. Other Transfers	-0.4	-0.3	-0.2	-0.2
5. Current Account (1+2+3+4)	-17.9	-26.9	-10.1	-5.2

P: Preliminary; PR: Partially Revised

Table 3: 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	Percentage Share in Total	Amount	Percentage Share in Total
2013-14	69.6	37.9	54.4	29.2	41.9
2012-13	67.6	33.0	48.9	32.0	47.2
Apr.-Sep. 2014-15 (P)	34.9	20.5	58.7	13.1	37.5
Apr.-Sep. 2013-14 (PR)	35.2	18.3	52.0	15.6	44.2

P: Preliminary; PR: Partially Revised.

Table 4: Disaggregated Items of Financial Account (Net)

(US\$ Billion)

	Apr.-Sep.		Jul.-Sep.	
	2014-15 (P)	2013-14 (PR)	2014-15 (P)	2013-14 (PR)
1. Direct Investment	16.2	14.6	8.0	8.1
1.a Direct Investment to India	16.8	15.2	8.5	8.7
1.b Direct Investment by India	-0.6	-0.6	-0.5	-0.6
2. Portfolio Investment	22.2	-6.8	9.8	-6.6
2.a Portfolio Investment in India	22.3	-7.0	9.9	-6.6
2.b Portfolio Investment by India	-0.14	0.20	-0.1	0.0
3. Other investment	0.2	9.5	3.0	-4.7
3.a Other equity (ADRs/GDRs)	0.0	0.0	0.0	0.0
3.b Currency and deposits	6.7	13.8	4.2	8.2
Deposit-taking corporations, except the central bank (NRI Deposits)				
3.c Loans	-3.2	0.2	-2.2	-5.6
3.c.i Loans to India	-3.6	-0.4	-2.5	-5.8
Deposit-taking corporations, except the central bank	-7.2	-2.4	-4.6	-7.0
General government (External Assistance)	0.8	0.2	0.8	-0.1
Other sectors (External Commercial Borrowings)	2.8	1.7	1.4	1.3
3.c.ii Loans by India	0.4	0.6	0.2	0.2
General government (External Assistance)	-0.2	-0.1	-0.1	0.0
Other sectors (External Commercial Borrowings)	0.6	0.7	0.3	0.2
3.d Trade credit and advances	0.1	0.6	-0.2	-1.9
3.e Other accounts receivable/payable—other	-3.4	-5.2	1.2	-5.4
4. Financial Derivatives	0.0	-2.1	-2.0	-1.6
5. Reserve assets	-18.1	10.7	-6.9	10.4
Financial Account (1+2+3+4+5)	20.5	25.8	11.8	5.6

P: Preliminary; PR: Partially Revised.

Table 5: Sector-wise FDI: Inflows and Outflows

(US\$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	2013-14	Apr.-Sep. 2014	Apr.-Sep. 2013	Industry	2013-14	Apr.-Sep. 2014	Apr.-Sep. 2013
Manufacture	6.4	4.4	2.9	Manufacturing	2.7	1.1	1.3
Communication Services	1.3	0.9	0.0	Transport, Storage and Communication Services	0.7	0.7	0.5
Electricity and others	1.3	0.8	0.4	Financial, Insurance, Real Estate and Business Services	1.8	0.5	0.8
Financial Services	1.0	0.6	0.6	Wholesale, Retail Trade, Restaurants and Hotels	1.1	0.3	0.3
Construction	1.3	0.5	0.7	Construction	0.2	0.2	0.1
Restaurants and Hotels	0.4	0.4	0.1	Community, Social and Personal Services	0.4	0.2	0.1
Computer Services	0.9	0.4	0.1	Agriculture, Hunting, Forestry and Fishing	6.3	0.1	0.2
Business Services	0.5	0.2	0.2	Electricity, Gas and Water	0.0	0.0	0.0
Others	3.0	1.6	1.3	Miscellaneous	0.1	0.0	0.0
Total	16.1	9.8	6.3	Total	13.3	3.1	3.3

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

(US\$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	2013-14	Apr.-Sep. 2014	Apr.-Sep. 2013	Country	2013-14	Apr.-Sep. 2014	Apr.-Sep. 2013
1. Mauritius	3.7	1.6	1.9	1. Singapore	1.5	0.6	0.6
2. USA	0.6	1.4	0.3	2. Netherlands	1.8	0.5	0.5
3. Singapore	4.4	1.3	1.3	3. USA	1.0	0.4	0.5
4. UK	0.1	1.3	0.0	4. UAE	0.3	0.3	0.1
5. Japan	1.8	1.1	0.5	5. Mauritius	1.3	0.3	0.7
6. Netherlands	1.2	0.8	0.4	6. Switzerland	0.4	0.2	0.1
7. Cyprus	0.5	0.5	0.3	7. UK	0.4	0.2	0.1
8. Spain	0.2	0.3	0.1	8. Jersey	0.0	0.2	0.0
9. Malaysia	0.1	0.2	0.1	9. Cyprus	0.1	0.1	0.1
10. Others	3.5	1.3	1.4	10. Others	6.5	0.3	0.6
Total	16.1	9.8	6.3	Total	13.3	3.1	3.3

#: 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. Figures contained in this Table may not agree with the data given in Table 7 due to updation subsequent to the release of BoP Data.

Table 7: India's Outward FDI

(US\$ Billion)

Period	Equity*	Loan	Guarantee Invoked	Total
Apr.-Sep. 2014-15 (P)	1.18 (43.6)	1.52 (56.1)	0.0 (0.3)	2.7
Apr.-Sep. 2013-14 (PR)	1.46 (44.0)	1.85 (55.8)	0.0 (0.3)	3.3
2013-14	9.50 (74.0)	3.28 (25.5)	0.1 (0.5)	12.8
2012-13	6.47 (58.4)	4.55 (41.1)	0.1 (0.5)	11.1

*: 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.

Table 8: Details of 'Other Receivables / Payables' (Net)

(US \$ Billion)

Item	Apr.-Mar.		Apr.-Sep.	
	2012-13	2013-14	2013-14 (PR)	2014-15 (P)
Lead and lags in exports	-10.8	-16.9	-8.2	-3.5
Net funds held abroad	-5.2	-6.5	-3.1	-2.4
Advances received pending issue of shares under FDI	9.2	7.5	4.6	1.6
Other capital not included elsewhere#	4.1	2.5	1.5	0.9
Total	-2.7	-13.4	-5.2	-3.4

#: Inclusive of derivatives and hedging, migrant transfers and other capital transfers.

P: Preliminary; PR: Partially Revised.