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e-mail: helpprd@rbi.org.in

PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

September 28, 2007

India's Balance of Payments (BoP) Developments during the First Quarter of 2007-08 (i.e., April-June 2007)

Preliminary data on India's balance of payments (BoP) for the first quarter (Q1) of the financial year 2007-08 *i.e.*, April-June 2007, are now available. Full details of the BoP data in the standard format of presentation are set out in Statement 1 and 2.

It may be recalled that, in recognition of the growing importance of services, data on a number of services such as business services, financial services and communication services, which were earlier part of the miscellaneous item, have been presented separately in the BoP press release from September 29, 2006. In order to further provide the disaggregated services data, the break-up of business services has been presented in this press release (Table 3.1).

Furthermore, the data on Non-Resident Ordinary (NRO) account were earlier included under 'Other Capital' in the capital account. With the reporting system to record these data separately put in place, these have now been included under the Non-Resident Indian (NRI) deposits.

The BoP developments during the Q1 of 2007-08 are set out in the following paragraphs.

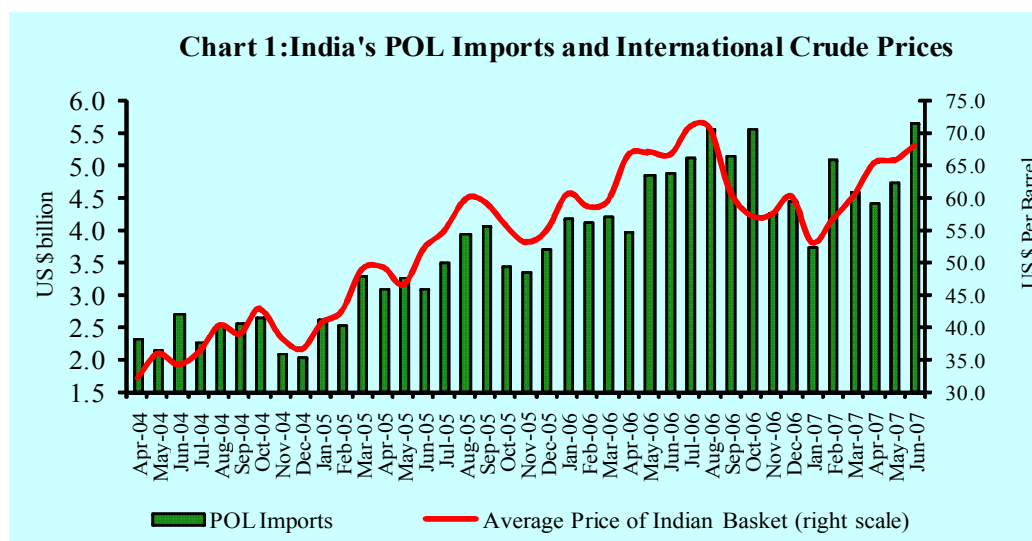
April-June 2007

The major items of the BoP for Q1 of 2007-08 are set out in Table 1 and details are in Statement 1.

Table 1: Major Items of India's Balance of Payments				
(US \$ million)				
Item	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR
1	2	3	4	5
Exports	34,960	29,674	127,090	105,152
Imports	56,540	46,620	191,995	156,993
Trade Balance	-21,580	-16,946	-64,905	-51,841
Invisibles, net	16,883	12,379	55,296	42,655
Current Account Balance	-4,697	-4,567	-9,609	-9,186
Capital Account*	15,897	10,946	46,215	24,238
Change in Reserves (- Indicates increase)#	-11,200	-6,379	-36,606	-15,052
*: Including errors and omissions. #: On BoP basis excluding valuation. P: Preliminary PR: Partially Revised.				

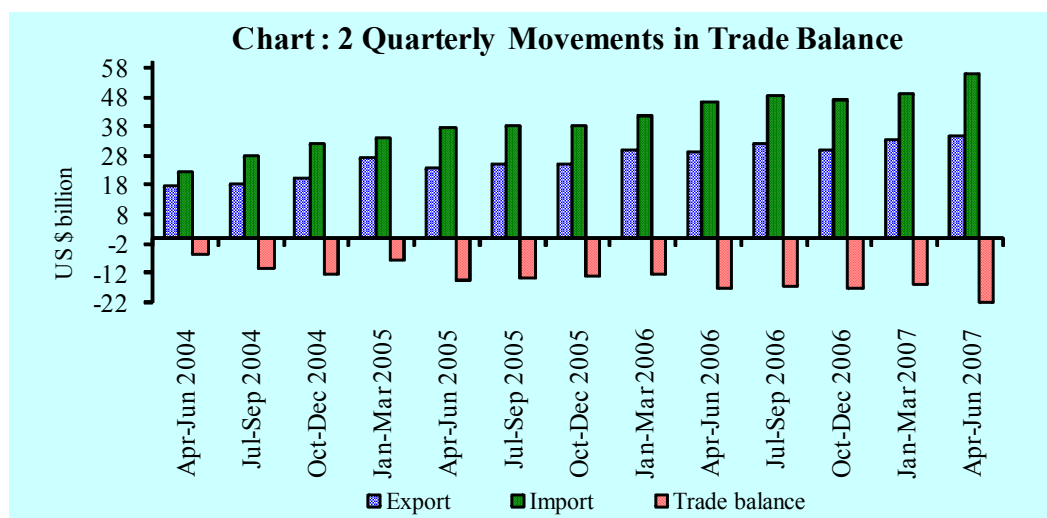
Merchandise Trade

- On BoP basis, India's Merchandise exports posted a relatively moderate growth of 17.8 per cent in Q1 of 2007-08 as compared with 23.7 per cent in Q1 of 2006-07.
- Import payments, on BoP basis, maintained the trajectory and recorded 21.3 per cent growth in Q1 of 2007-08 (22.9 per cent in Q1 of 2006-07).
- According to the data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), while oil imports recorded a moderate growth of 8.0 per cent in Q1 of 2007-08 (45.2 per cent in Q1 of 2006-07), non-oil imports recorded a strong growth of 47.4 per cent (8.9 per cent in Q1 of 2006-07).
- The Indian basket of crude oil prices averaged at US \$ 66.3 per barrel during Q1 of 2007-08 as compared with US \$ 66.8 per barrel in the Q1 of 2006-07 (Chart 1).



Trade Deficit

- On BoP basis, trade deficit, increased to US \$ 21.6 billion in Q1 of 2007-08 (US \$ 16.9 billion in Q1 of 2006-07) (Chart 2). According to DGCI&S data, the increase in trade deficit was mainly on account of non-oil imports.

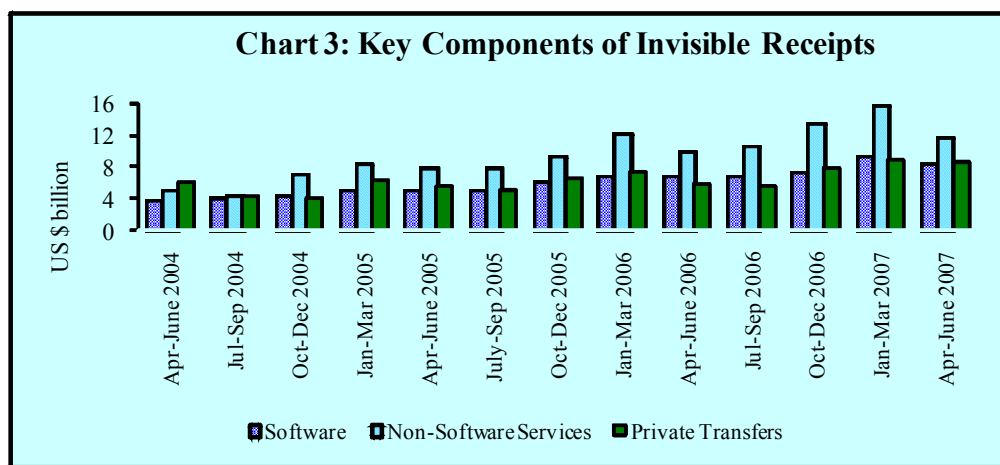


Invisibles

- Invisible receipts, comprising services, current transfers and income, showed a steady growth in Q1 of 2007-08, while payments recorded some moderation in growth.
- Invisible receipts rose by 27.5 per cent in Q1 of 2007-08 (23.7 per cent in Q1 of 2006-07) mainly due to momentum maintained in the growth of software services, travel earnings, other professional and business services, along with the steady inflow of remittances from overseas Indians (Table 2 and Chart 3).
- Travel earnings showed a growth of 22.2 per cent in Q1 of 2007-08 as compared with 19.0 per cent in Q1 of 2006-07, mainly reflecting the pattern in tourist arrivals.
- Other professional and business services, which mainly comprise of services such as merchanting, trade related services, legal services, accounting, auditing, book keeping and tax consulting, business and management services, advertising, research and development services, architectural, engineering and other technical services, also witnessed the continued expansion in exports.

Table 2: Invisible Gross Receipts and Payments								
(US \$ million)								
Item	Invisible Receipts				Invisible Payments			
	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR
1	2	3	4	5	6	7	8	9
Travel	2,088	1,708	9,423	7,853	1,881	1,488	7,235	6,464
Transportation	2,208	1,734	8,069	6,291	2,692	2,048	8,857	7,841
Insurance	417	239	1,200	1,050	184	128	641	1,028
Govt. not included elsewhere	96	57	273	309	112	81	417	506
Transfers	8,760	5,992	28,861	25,228	433	300	1,446	944
Income	2,611	1,645	8,972	5,662	3,205	2,923	13,818	11,172
<i>Investment Income</i>	2,475	1,580	8,574	5,486	2,961	2,727	12,856	10,407
<i>Compensation of Employees</i>	136	65	398	176	244	196	962	765
Miscellaneous	15,252	13,268	62,365	45,901	6,042	5,296	31,453	21,684
<i>Of Which: Software</i>	8,441	7,039	31,300	23,600	557	438	2,502	1,338
Total	31,432	24,643	119,163	92,294	14,549	12,264	63,867	49,639
P: Preliminary PR: Partially Revised.								

- Private transfer receipts comprising mainly remittances from Indians working overseas were higher at US \$ 8.6 billion in Q1 of 2007-08 than US \$ 5.9 billion in Q1 of 2006-07.



- Invisible payments grew by 18.6 per cent in Q1 of 2007-08 on account of surge in travel related payments, business and management consultancy services, engineering and technical services and dividend and profit payouts.
- Payments relating to travel services by the Indians travelling abroad, including categories of travel such as business, health and education related, basic travel quota, rose by 26.4 per cent in Q1 of 2007-08 as compared with 10.4 per cent in Q1 of 2006-07.
- The non-software miscellaneous receipts stood at US \$ 6.8 billion in Q1 of 2007-08 as compared with US \$ 6.2 billion in Q1 of 2006-07 (Table 3).

Table 3: Break-up of Non-Software Miscellaneous Receipts and Payments (US \$ million)								
Item	Receipts				Payments			
	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR
1	2	3	4	5	6	7	8	9
Communication Services	513	444	2,068	2,182	200	108	719	808
Construction	86	96	397	916	167	235	807	853
Financial	883	622	3,213	1,704	858	317	1,832	1,308
News Agency	122	98	438	339	154	42	245	306
Royalties, Copyrights & License Fees	34	28	164	129	220	221	1,164	729
Business Services	4,479	4,565	23,459	12,858	3,610	3,174	20,200	10,496
Personal, Cultural, Recreational	77	44	251	128	34	28	131	97
Others	617	332	1,075	4,045	242	733	3,853	5,749
Total	6,811	6,229	31,065	22,301	5,485	4,858	28,951	20,346
P: Preliminary PR: Partially Revised.								

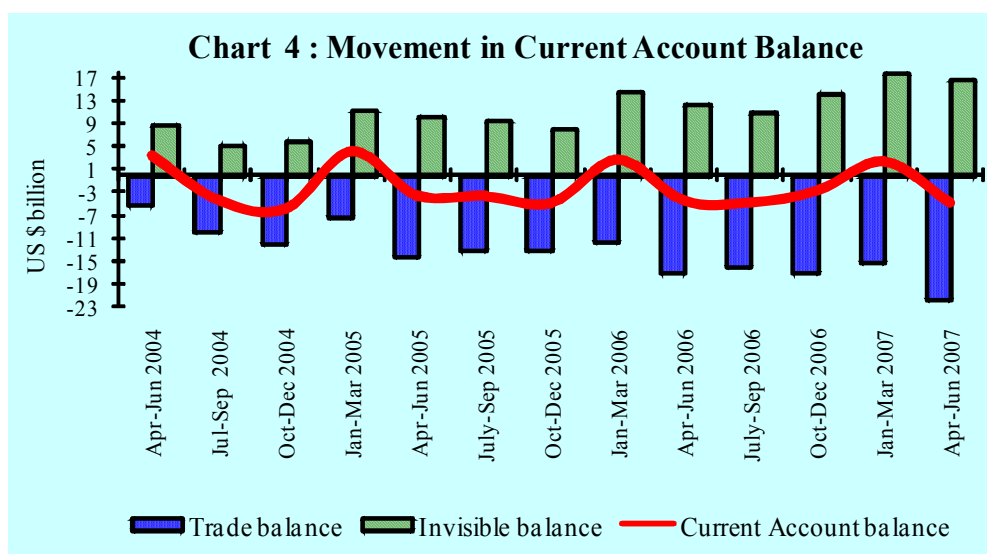
- Business services receipts and payments were mainly driven by trade related services, business and management consultancy services, architectural and engineering services and other technical services, and office maintenance services (Table 3.1). These reflect the underlying momentum in trade of professional and technology related services.

Table 3.1: Details of Business Services*								
(US \$ million)								
Item	Receipts				Payments			
	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR
1	2	3	4	5	6	7	8	9
Total	4,479	4,565	23,459	12,858	3,610	3,174	20,200	10,496
<i>Of Which:</i>								
Trade Related	380	272	1,388	888	406	22	1,849	1,498
Business & Management Consultancy	1,393	1,424	8,370	3,721	939	621	5,501	2,120
Architectural, Engineering & other technical	1,297	1,390	7,704	4,639	593	605	3,833	1,641
Maintenance of offices	664	1,056	2,684	1,490	438	640	2,683	1,746
* The data are provisional and would subsequently get firmed up and revised. P: Preliminary PR: Partially Revised.								

- Investment income payments, reflecting mainly the interest payments on commercial borrowings, external assistance and non-resident deposits, and reinvested earnings of the foreign direct investment (FDI) enterprises operating in India, amounted to US \$ 3 billion in Q1 of 2007-08 (US \$ 2.7 billion in Q1 of 2006-07).
- Net invisibles (receipts minus payments), mainly led by higher growth in private transfers, at US \$ 16.9 billion during Q1 of 2007-08, recorded a growth of 36.4 per cent as compared with 19.4 per cent in Q1 of 2006-07.

Current Account Deficit

- Despite large merchandise trade deficit, higher net invisible surplus mainly emanating from private transfers, contained the current account deficit at US \$ 4.7 billion in Q1 of 2007-08, broadly the same as in Q1 of 2006-07 (Chart 4).



Capital Account and Reserves

- The balance of payments developments during Q1 of 2007-08 were dominated by the strong capital flows. The net capital flows at US \$ 15.3 billion in Q1 of 2007-08 (US \$ 10.6 billion in Q1 of 2006-07) remained buoyant reflecting the sustained momentum of domestic economic activity, better corporate performance, positive investment climate, long term view of India as the investment destination and favourable liquidity and interest rates in the global markets.
- The major sources of net capital flows were external commercial borrowings (ECBs) and equity inflows by foreign institutional investors (FIIs) (Table 4).

Table 4: Net Capital Flows				
(US \$ million)				
Item	2007-08 April-June P	2006-07 April-June PR	2006-07 April-March P	2005-06 April-March PR
1	2	3	4	5
Foreign Direct Investment	461	1,416	8,437	4,730
Portfolio Investment	7,458	-505	7,062	12,494
External Assistance	258	49	1,770	1,682
External Commercial Borrowings	7,048	3,959	16,084	2,723
NRI Deposits*	-447	1,231	3,895	2,789
Short-term Credits	1,048	417	3,275	1,708
Others	-564	3,997	4,421	-2,726
Total	15,262	10,564	44,944	23,400
* Include Non-Resident Ordinary (NRO) deposits for April-June 2007.				
P: Preliminary PR: Partially Revised.				

- The net ECB inflows to India were at US \$ 7 billion. ECBs inflows alone accounted for about 45.8 per cent of the total net capital flows, enabled by favourable liquidity and the interest rates in the global markets on the one hand, and rising financing requirements for capacity expansion domestically on the other hand.

- Direct investment showed strong bi-directional movement, reflecting higher FDI into India as well as overseas investments by the Indian companies.
- The inflows under FDI into India at US \$ 5.9 billion during Q1 of 2007-08 (US \$ 2.5 billion in Q1 of 2006-07) witnessed significant rise reflecting the continuing pace of expansion of domestic activities, positive investment climate and long term view of India as the investment destination. FDI was channelled mainly into services sector (37.3 per cent) followed by construction industry (21.9 per cent).
- Outward FDI of India also showed significant increase at US \$ 5.4 billion in Q1 of 2007-08 (US \$ 1.1 billion in Q1 of 2006-07) due to the appetite of Indian companies for global expansion.
- Due to large outward FDI, the net FDI (FDI to India minus FDI by India) was lower at US \$ 0.5 billion in Q1 of 2007-08 than US \$ 1.4 billion in Q1 of 2006-07.
- Net inflows by foreign institutional investors (FIIs) were US \$ 7.1 billion during Q1 of 2007-08 reflecting the better corporate performance as well as strong domestic equity markets in consonance with the trends in Asian stock markets. The inflows under American depository receipts (ADRs)/global depository receipts (GDRs) amounted to US \$ 308 million for April-June 2007. Net portfolio flows by India were at US \$ 53 million. Taken together, net portfolio flows amounted to US \$ 7.5 billion in Q1 of 2007-08.
- Among the components of banking capital, Non-Resident Indian (NRI) deposits witnessed a net outflow of US \$ 447 million in Q1 of 2007-08, a turnaround from net inflow of US \$ 1,231 million in Q1 of 2006-07, reflecting the impact of two downward revisions in ceiling interest rates during January 2007 and April 2007. While there were net inflows under Foreign Currency Non-Resident (Banks) [FCNR(B)] deposits, the higher magnitude of outflows under Non-Resident External Rupee Account NR(E)RA deposits resulted in overall net outflows.
- The data on Non-Resident Ordinary (NRO) account were earlier included under 'Other Capital' in the capital account. With the reporting system to record these data separately put in place, these have now been included under the Non-Resident Indian (NRI) deposits. NRO deposits in Q1 of 2007-08 amounted to US \$ 116 million (Table 5).

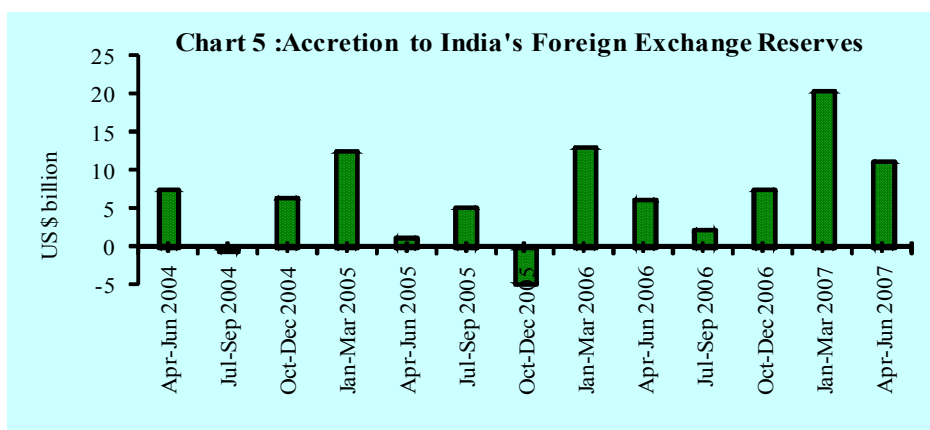
Table 5: Net Inflows under Non Resident Ordinary (NRO) Deposits	
Year	Amount
1	2
2005-06 (April-March)	931
2006-07 (April-March)	427
2007-08 (April-June)	116
2006-07 (April-June)	70

- 'Other capital' comprises mainly difference between the custom data and the banking channel data, funds held abroad, and the residual item of other capital transactions not included elsewhere (n.i.e.). The residual item of other capital transactions n.i.e. mainly include suppliers' credit up to 180 days, flows arising from cross-border financial derivative and commodity hedging transactions, migrant transfers (i.e., the movement of personal effects and financial assets arising from the change in residence status) and sale of intangible assets such as patents, copyrights, trademarks, etc. amounted to US \$ 1.2 billion in Q1 of 2007-08. The details of other capital are set out in Table 6.

Table 6: Details of Other Capital				
(US \$ million)				
Item	2007-08 (April-June) P	2006-07 (April-June) PR	2006-07 (April-March) P	2005-06 (April-March) PR
1	2	3	4	5
Total	1,152	305	6,391	-738
Lead and Lags in Exports	1,627	-523	1,772	-572
ADR/GDR/FCCB Repatriated	26	54	420	125
Net Funds Held Abroad	-493	-884	-2,053	-2,471
Advance Payments Imports	-1,692	-74	-59	-2,090
Other capital receipts not included elsewhere*	1,684	1,732	6,311	4,270
*: Includes suppliers' credit up to 180 days, migrant transfers, derivatives, hedging, capital transfers. P: Preliminary PR: Partially Revised.				

Reserves Accretion

- Net accretion to foreign exchange reserves on BoP basis (*i.e.*, excluding valuation) at US \$ 11.2 billion in Q1 of 2007-08 was led mainly by strong capital inflows (Chart 5). Taking into account the valuation gain of US \$ 3.0 billion, foreign exchange reserves recorded an increase of US \$ 14.2 billion in Q1 of 2007-08 (US \$ 11.3 billion in Q1 of 2006-07). [A Press Release on the sources of accretion to foreign exchange reserves is separately issued].



- At the end of June 2007, with outstanding foreign exchange reserves at US \$ 213.4 billion, India held the fifth largest stock of reserves among the emerging market economies and sixth largest in the world.

Alpana Killawala
Chief General Manager

Press Release : 2007-2008/438

STATEMENT 1: INDIA'S OVERALL BALANCE OF PAYMENTS

(US \$ million)

Item	April-June 2007 P			April-June 2006 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	2	3	4	5	6	7
A.CURRENT ACCOUNT						
I. MERCHANDISE	34,960	56,540	-21,580	29,674	46,620	-16,946
II.INVISIBLES (a+b+c)	31,432	14,549	16,883	24,643	12,264	12,379
a) Services	20,061	10,911	9,150	17,006	9,041	7,965
i) Travel	2,088	1,881	207	1,708	1,488	220
ii) Transportation	2,208	2,692	-484	1,734	2,048	-314
iii) Insurance	417	184	233	239	128	111
iv) G.n.i.e.	96	112	-16	57	81	-24
v) Miscellaneous	15,252	6,042	9,210	13,268	5,296	7,972
<i>of which</i>						
<i>Software Services</i>	8,441	557	7,884	7,039	438	6,601
<i>Business Services</i>	4,479	3,610	869	4,565	3,174	1,391
<i>Financial Services</i>	883	858	25	622	317	305
<i>Communication Services</i>	513	200	313	444	108	336
b) Transfers	8,760	433	8,327	5,992	300	5,692
i) Official	153	166	-13	69	90	-21
ii) Private	8,607	267	8,340	5,923	210	5,713
c) Income	2,611	3,205	-594	1,645	2,923	-1,278
i) Investment Income	2,475	2,961	-486	1,580	2,727	-1,147
ii) Compensation of Employees	136	244	-108	65	196	-131
Total Current Account (I+II)	66,392	71,089	-4,697	54,317	58,884	-4,567
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	41,114	33,195	7,919	33,437	32,526	911
a) Foreign Direct Investment (i+ii)	6,434	5,973	461	2,614	1,198	1,416
i. In India	5,904	21	5,883	2,548	8	2,540
<i>Equity</i>	5,029	21	5,008	1,842	8	1,834
<i>Reinvested Earnings</i>	708	0	708	698	0	698
<i>Other Capital</i>	167	0	167	8	0	8
ii. Abroad	530	5,952	-5,422	66	1,190	-1,124
<i>Equity</i>	530	5,531	-5,001	66	777	-711
<i>Reinvested Earnings</i>	0	271	-271	0	184	-184
<i>Other Capital</i>	0	150	-150	0	229	-229
b) Portfolio Investment	34,680	27,222	7,458	30,823	31,328	-505
<i>In India</i>	34,621	27,216	7,405	30,801	31,327	-526
<i>Abroad</i>	59	6	53	22	1	21
2.Loans (a+b+c)	15,880	7,526	8,354	10,739	6,314	4,425
a) External Assistance	754	496	258	576	527	49
i) By India	5	13	-8	4	9	-5
ii) To India	749	483	266	572	518	54
b) Commercial Borrowings (MT<)	8,314	1,266	7,048	5,057	1,098	3,959
i) By India	355	290	65	91	223	-132
ii) To India	7,959	976	6,983	4,966	875	4,091
c) Short Term to India	6,812	5,764	1,048	5,106	4,689	417
3. Banking Capital (a+b)	7,303	9,423	-2,120	9,837	4,847	4,990
a) Commercial Banks	7,303	9,417	-2,114	9,765	4,847	4,918
i) Assets	2,183	2,501	-318	5,257	1,877	3,380
ii) Liabilities	5,120	6,916	-1,796	4,508	2,970	1,538
<i>of which: Non-Resident Deposits</i>	4,791	5,238	-447	4,174	2,943	1,231
b) Others	0	6	-6	72	0	72
4. Rupee Debt Service	0	43	-43	0	67	-67
5. Other Capital	3,338	2,186	1,152	1,786	1,481	305
Total Capital Account (1to5)	67,635	52,373	15,262	55,799	45,235	10,564
C. Errors & Omissions	635	0	635	382	0	382
D. Overall Balance	134,662	123,462	11,200	110,498	104,119	6,379
(Total Capital Account, Current Account and Errors & Omissions (A+B+C))						
E. Monetary Movements (i+ii)	0	11,200	-11,200	0	6,379	-6,379
i) I.M.F.	0	0	0	0	0	0
ii) Foreign Exchange Reserves	0	11,200	-11,200	0	6,379	-6,379
<i>(Increase - / Decrease +)</i>						

P: Preliminary

PR: Partially Revised

STATEMENT 2: INDIA'S OVERALL BALANCE OF PAYMENTS

(Rs crore)

Item	April-June 2007 P			April-June 2006 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	2	3	4	5	6	7
A. CURRENT ACCOUNT						
I. MERCHANDISE	144,155	233,139	-88,984	134,930	211,985	-77,055
II. INVISIBLES (a+b+c)	129,609	59,992	69,617	112,054	55,764	56,290
a) Services	82,721	44,991	37,730	77,328	41,109	36,219
i) Travel	8,610	7,756	854	7,766	6,766	1,000
ii) Transportation	9,105	11,100	-1,995	7,885	9,312	-1,427
iii) Insurance	1,719	759	960	1,087	582	505
iv) G.n.i.e.	396	462	-66	259	368	-109
v) Miscellaneous	62,891	24,914	37,977	60,331	24,081	36,250
of which						
Software Services	34,806	2,297	32,509	32,007	1,992	30,015
Business Services	18,469	14,886	3,583	20,757	14,432	6,325
Financial Services	3,641	3,538	103	2,828	1,441	1,387
Communication Services	2,115	825	1,290	2,019	491	1,528
b) Transfers	36,121	1,785	34,336	27,246	1,364	25,882
i) Official	631	684	-53	314	409	-95
ii) Private	35,490	1,101	34,389	26,932	955	25,977
c) Income	10,767	13,216	-2,449	7,480	13,291	-5,811
i) Investment Income	10,206	12,210	-2,004	7,184	12,400	-5,216
ii) Compensation of Employees	561	1,006	-445	296	891	-595
Total Current Account (I+II)	273,764	293,131	-19,367	246,984	267,749	-20,765
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	169,531	136,879	32,652	152,041	147,898	4,143
a) Foreign Direct Investment (i+ii)	26,530	24,630	1,900	11,886	5,447	6,439
i. In India	24,345	87	24,258	11,586	36	11,550
Equity	20,737	87	20,650	8,376	36	8,340
Reinvested Earnings	2,919	0	2,919	3,174	0	3,174
Other Capital	689	0	689	36	0	36
ii. Abroad	2,185	24,543	-22,358	300	5,411	-5,111
Equity	2,185	22,807	-20,622	300	3,533	-3,233
Reinvested Earnings	0	1,117	-1,117	0	837	-837
Other Capital	0	619	-619	0	1,041	-1,041
b) Portfolio Investment	143,001	112,249	30,752	140,155	142,451	-2,296
In India	142,758	112,224	30,534	140,055	142,446	-2,391
Abroad	243	25	218	100	5	95
2. Loans (a+b+c)	65,480	31,034	34,446	48,831	28,710	20,121
a) External Assistance	3,109	2,046	1,063	2,619	2,396	223
i) By India	21	54	-33	18	41	-23
ii) To India	3,088	1,992	1,096	2,601	2,355	246
b) Commercial Borrowings (MT<)	34,282	5,220	29,062	22,995	4,993	18,002
i) By India	1,464	1,196	268	414	1,014	-600
ii) To India	32,818	4,024	28,794	22,581	3,979	18,602
c) Short Term to India	28,089	23,768	4,321	23,217	21,321	1,896
3. Banking Capital (a+b)	30,113	38,856	-8,743	44,729	22,040	22,689
a) Commercial Banks	30,113	38,831	-8,718	44,402	22,040	22,362
i) Assets	9,001	10,313	-1,312	23,904	8,535	15,369
ii) Liabilities	21,112	28,518	-7,406	20,498	13,505	6,993
of which: Non-Resident Deposits	19,755	21,599	-1,844	18,980	13,382	5,598
b) Others	0	25	-25	327	0	327
4. Rupee Debt Service	0	177	-177	0	305	-305
5. Other Capital	13,764	9,014	4,750	8,121	6,734	1,387
Total Capital Account (1to5)	278,888	215,960	62,928	253,722	205,687	48,035
C. Errors & Omissions	2,622	0	2,622	1,736	0	1,736
D. Overall Balance	555,274	509,091	46,183	502,442	473,436	29,006
(Total Capital Account, Current Account and Errors & Omissions (A+B+C))						
E. Monetary Movements (i+ii)	0	46,183	-46,183	0	29,006	-29,006
i) I.M.F.	0	0	0	0	0	0
ii) Foreign Exchange Reserves	0	46,183	-46,183	0	29,006	-29,006
(Increase - / Decrease +)						

P: Preliminary

PR: Partially Revised