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March 31,2008

**India's Balance of Payments Developments during the Third Quarter
(October-December) of 2007-08 and April-December 2007-08**

Preliminary data on India's Balance of Payments (BoP) for the third quarter (Q3) *i.e.*, October-December 2007 of the financial year 2007-08, are now available. These preliminary data and the partially revised data for the first two quarters *i.e.*, April-June 2007 (Q1) and July-September 2007 (Q2), have been taken into account for compiling the BoP data for the period April-December of the current financial year *i.e.*, 2007-08. Full details of these data are set out in the standard format of BoP presentation in Statements 1 and 2.

I. Balance of Payments (BoP) for October-December 2007 (Q3)

The major items of the BoP for Q3 of 2007-08 along with Q1 and Q2 are set out below in Table 1.

Table 1: Major Items of India's Balance of Payments						
(US \$ million)						
Item	October- December(Q3)		July- September(Q2)		April-June(Q1)	
	2007 (P)	2006 (PR)	2007 (PR)	2006 (PR)	2007 (PR)	2006 (PR)
1	2	3	4	5	6	7
1. Exports	41,737	30,933	37,595	31,836	35,752	29,614
2. Imports	67,090	47,460	58,049	48,593	56,493	46,631
3. Trade Balance (1-2)	-25,353	-16,527	-20,454	-16,757	-20,741	-17,017
4. Invisibles, net	19,967	12,849	15,712	10,482	14,823	12,952
5. Current Account Balance (3+4)	-5,386	-3,678	-4,742	-6,275	-5,918	-4,065
6. Capital Account*	32,124	11,183	33,978	8,545	17,118	10,444
7. Change in Reserves# (- Indicates increase)	-26,738	-7,505	-29,236	-2,270	-11,200	-6,379
*: Including errors and omissions. #: On BoP basis excluding valuation.						
P: Preliminary. PR: Partially Revised.						

Merchandise Trade

- On BoP basis, India's merchandise exports recorded a growth of 34.9 per cent in Q3 of 2007-08 as compared with 20.9 per cent in Q3 of the previous year.
- The commodity-wise exports data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S) for the period October-November 2007 revealed that the higher growth in exports was contributed mainly by engineering goods, petroleum products, gems and jewellery, and ores and minerals.
- Import payments, on BoP basis, registered a growth of 41.4 per cent in Q3 of 2007-08 as against an increase of 23.9 per cent in Q3 of 2006-07.
- The growth in oil imports reflected the hardening of international crude oil prices of the Indian basket to an average of US \$ 85.5 per barrel during Q3 of 2007-08 (ranging between US \$ 79 to US \$ 89 per barrel during Q3 of 2007-08).
- According to the commodity-wise imports data released by the DGCI&S for the period October-November 2007, the components that contributed to higher non-oil import growth were imports of capital goods (52.5 per cent) and imports of mainly export related items (18.7 per cent).

Trade Deficit

- Consequent upon the above developments, trade deficit on BoP basis amounted to US \$ 25.4 billion in Q3 of 2007-08 (US \$ 16.5 billion in Q3 of 2006-07).

Invisibles

- In India's BoP, software services and remittances are mainly unidirectional flows, *i.e.*, dominated by inflows, while the payments relating to these items are at a very moderate level. Thus, the payments on the invisible account predominantly reflected the payments relating to non-software services such as business, financial and communication services and the interest payments on external debt.
- Invisibles receipts at US \$ 38.4 billion comprising services (US \$ 23.4 billion), current transfers (US \$ 11.5 billion) and income (US \$ 3.5 billion) recorded a growth of 30.4 per cent in Q3 of 2007-08 as against a growth rate of 27.2 per cent in Q3 of 2006-07. The increase in invisibles receipts was mainly led by remittances from the overseas Indians, software services and travel earnings.
- Invisible payments at US \$ 18.4 billion in Q3 of 2007-08 reflected rising payments mainly related to non-software miscellaneous services (US \$ 6.7 billion), higher investment income payments (US \$ 4.4 billion) in the form of interest payments, dividends and profit payments, rising payments towards transportation (US \$ 3.0 billion), and outbound tourist traffic from India (US \$ 2.5 billion).
- On a net basis (receipts minus payments), the invisibles account recorded a surplus of US \$ 20.0 billion in Q3 of 2007-08 as against a surplus of US \$ 12.8 billion in Q3 of 2006-07.

Current Account Deficit

- Despite the higher invisibles surplus as mentioned above, the current account deficit (CAD) stood at US \$ 5.4 billion in Q3 of 2007-08 (US \$ 3.7 billion in Q3 of 2006-07) on account of higher trade deficit.

Capital Account and Reserves

- The major components of net capital flows at US \$ 31.5 billion in Q3 of 2007-08 were portfolio flows, external commercial borrowings (ECBs) and short-term trade credits.
- Net inward FDI at US \$ 7.2 billion in Q3 of 2007-08 were lower than that of US \$ 9.7 billion in Q3 of 2006-07. Net outward FDI were also at a moderate level at US \$ 3.6 billion in Q3 of 2007-08 as compared with US \$ 6.6 billion during Q3 of 2006-07.
- Net portfolio investment at US \$ 14.7 billion in Q3 of 2007-08 (US \$ 3.6 billion in Q3 of 2006-07) was the largest component of capital flows.
- Net external commercial borrowing raised by the Indian corporates amounted to US \$ 5.3 billion in Q3 of 2007-08, higher than US \$ 4.0 billion in Q3 of 2006-07.
- Net short term trade credit was higher at US \$ 4.3 billion in Q3 of 2007-08 (US \$ 1.8 billion in Q3 of 2006-07). As mentioned in the RBI's Press Release on Balance of Payments dated December 31, 2007, the data on suppliers' credit up to 180 days have now been included under the short-term trade credit from 2005-06 based on the international best practices.
- Accretion to foreign exchange reserves on BoP basis (*i.e.*, excluding valuation) at US \$ 26.7 billion in Q3 of 2007-08 was significantly higher than that of US \$ 7.5 billion in Q3 of 2006-07.

To sum up, the salient features of India's BoP that emerged in Q3 of 2007-08 were: (i) sharp rise in trade deficit due to rise in imports, (ii) significant increase in invisible surplus mainly led by remittances from overseas Indians and software services, and (iii) substantial increase in portfolio investment under the capital account.

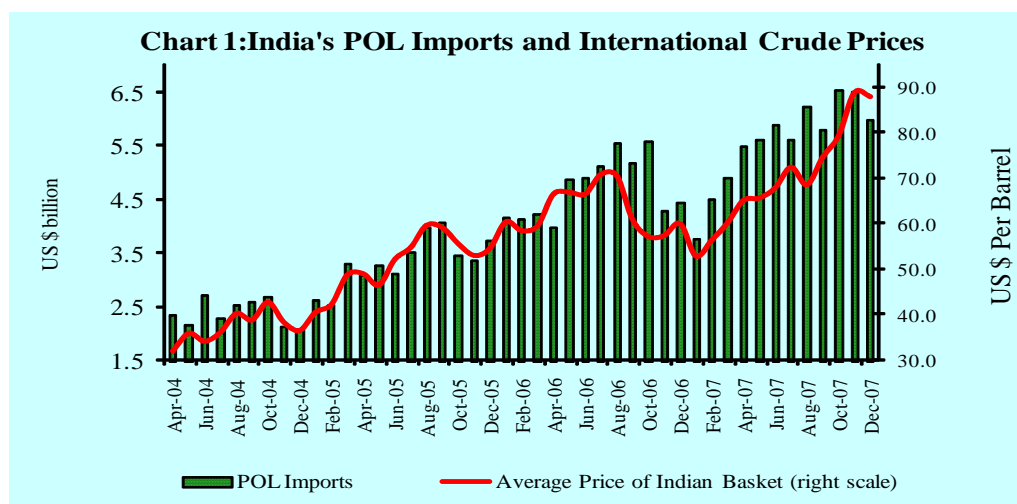
II. Balance of Payments (BoP) for April-December 2007

As alluded to earlier, taking into account the partially revised data for the Q1 and Q2 of 2007-08 and the preliminary data for Q3 of 2007-08, the BoP data for the first nine months (*i.e.*, April-December) of the financial year 2007-08 have been compiled. While the detailed data are set out in Statements 1 and 2 in standard format of BoP presentation, the major items are presented in Table 2.

Table 2: Major Items of India's Balance of Payments: April-December 2007				
(US \$ million)				
Item	April-December		April-March	
	2007-08 (P)	2006-07 (PR)	2006-07 (PR)	2005-06(R)
1	2	3	4	5
1. Exports	1,15,084	92,383	1,28,083	1,05,152
2. Imports	1,81,632	1,42,684	1,91,254	1,57,056
3. Trade Balance (1-2)	-66,548	-50,301	-63,171	-51,904
4. Invisibles, net	50,502	36,283	53,405	42,002
5. Current Account Balance (3+4)	-16,046	-14,018	-9,766	-9,902
6. Capital Account*	83,220	30,172	46,372	24,954
7. Change in Reserves#				
(- Indicates increase)	-67,174	-16,154	-36,606	-15,052
*: Including errors and omissions. #: On BoP basis excluding valuation.				
P: Preliminary. PR: Partially Revised. R: Revised				

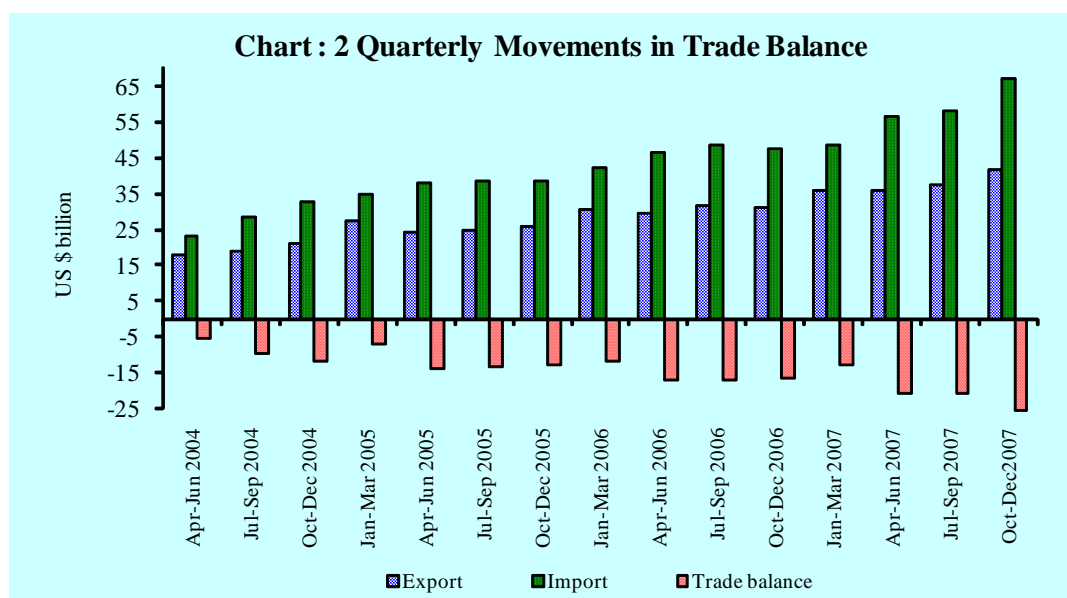
Merchandise Trade

- On BoP basis, merchandise exports recorded an increase of 24.6 per cent during April-December 2007 (23.9 per cent in the corresponding period of the previous year).
- The commodity-wise data released by the DGCI&S for the period April-November 2007 indicated that growth in exports of petroleum products (35.4 per cent), engineering goods (22.4 per cent) and gems and jewellery (25.5) remained the major drivers of export growth.
- On BoP basis, merchandise import payments showed 27.3 per cent growth in April-December 2007 as compared with 24.4 per cent in the corresponding period of the previous year.
- According to the DGCI&S data, non-oil imports recorded a higher growth of 30.6 per cent during April-December 2007 (22.1 per cent in April-December 2006). The commodity-wise details available for April-November 2007 revealed that growth in non-oil imports was led mainly by imports of capital goods, pearls and precious stones, chemicals and gold and silver.
- Oil imports, as per the DGCI&S data, increased by 21.7 per cent in April-December 2007 (39.4 per cent in April-December 2006). The average price of the Indian basket of international crude (a mix of Dubai and Brent varieties) rose to US \$ 74.7 per barrel (ranging between US \$ 65 to US \$ 89 per barrel) in April-December 2007 from US \$ 64.4 per barrel in the corresponding period of the previous year (Chart 1). According to the Ministry of Petroleum and Natural Gas, the volume of oil imports increased by 11 per cent in April-December 2007.



Trade Deficit

- Reflecting the above developments, on BoP basis, the merchandise trade deficit widened to US \$ 66.5 billion during April-December 2007 from US \$ 50.3 billion in April-December 2006, mainly on account of higher non-oil imports (Chart 2).

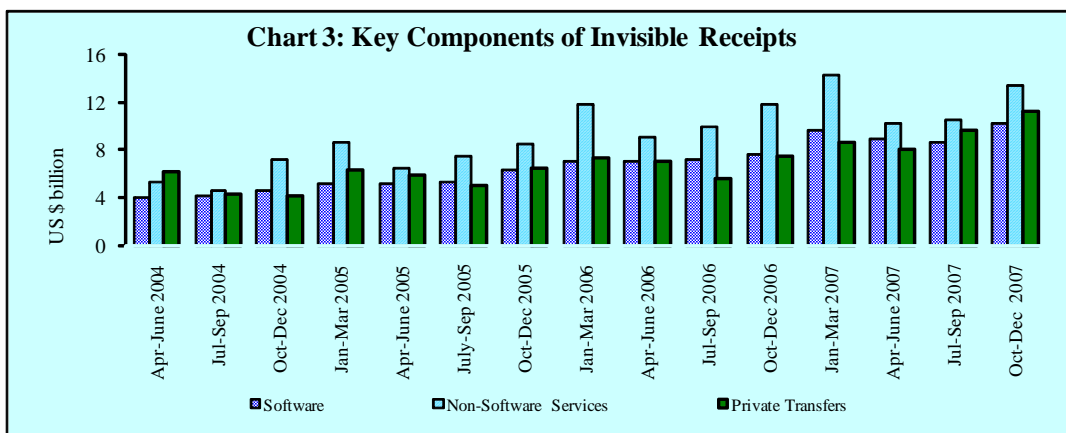


Invisibles

- Invisibles receipts recorded a growth of 26.3 per cent during April-December 2007 as compared with 29.6 per cent growth during April-December 2006 due to moderation in software services and business related services. The key contributors of invisibles were remittances from overseas Indians, software services and travel earnings (Table 3 and Chart 3).

Table 3: Invisible Gross Receipts and Payments: April-December 2007

(US \$ million)								
Items	Invisible Receipts				Invisible Payments			
	April-December		April- March		April-December		April- March	
	2007-08	2006-07	2006-07	2005-06	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5	6	7	8	9
1. Travel	7,731	6,125	9,123	7,853	6,474	4,938	6,685	6,638
2. Transportation	6,571	5,829	8,050	6,325	8,100	6,077	8,068	8,337
3. Insurance	1,142	846	1,202	1,062	730	484	642	1,116
4. Government not included elsewhere	257	188	250	314	319	298	403	529
5. Transfers	29,319	20,711	29,589	25,620	1,342	1,006	1,421	933
6. Income	9,575	6,269	9,304	6,408	13,422	11,422	15,877	12,263
Investment Income	9,297	6,029	8,908	6,229	12,655	10,763	14,926	11,491
Compensation of Employees	278	240	396	179	767	659	951	772
7. Miscellaneous	45,616	39,391	57,556	42,105	19,322	18,851	28,573	17,869
<i>Of Which:</i> <i>Software</i>	27,494	21,762	31,300	23,600	2,530	1,504	2,267	1,338
Total (1 to 7)	1,00,211	79,359	1,15,074	89,687	49,709	43,076	61,669	47,685



- Private transfers, as set out in Table 4, are mainly in the form of:
 - (i) Inward remittances from Indian workers abroad for family maintenance,
 - (ii) Local withdrawal from Non-Resident Indian Rupee deposits,
 - (iii) Gold and silver brought through passenger baggage, and
 - (iv) Personal gifts/donations to charitable/religious institutions.
- Private transfer inflows were higher at US \$ 28.8 billion in April-December 2007 (US \$ 20.2 billion in April-December 2006) recording a growth of 42.5 per cent in April-December 2007. While the inward remittances for family maintenance increased by 39 per cent, the local withdrawals were higher by 49 per cent.
- NRI deposits when withdrawn domestically, form part of private transfers because once withdrawn for local use these become unilateral transfers and do not have any *quid pro quo*. According to the IMF's Balance of Payments Manual 5th Edition (1993), 'transfers' represent one-sided transactions, i.e., transactions that do not have any *quid pro quo*, such as grants, gifts, and migrants' transfers by way of remittances for family maintenance, repatriation of savings and transfer of financial and real resources linked to change in resident status of migrants.
- The higher growth in inflows through local withdrawal by the overseas Indians may be attributed to higher returns domestically *vis-à-vis* holding of such deposits in NRI accounts (Table 4).

Year	Total	Of Which:	
		Inward remittances for family maintenance	Local withdrawals/redemptions from NRI Deposits
1	2	3	4
2005-06	24,951	10,455	12,454
2006-07	28,951	13,561	13,208
2006-07 (April-Dec)	20,234	9,909	8,729
2007-08 (April-Dec)	28,832	13,785	13,020

- In the recent past, there has been a steady inflow under NRI deposits (Table 5). However, at the same time, outflows have also risen. A major part of outflows from NRI deposits is in the form of local withdrawals. These withdrawals, however, are not actually repatriated but are utilized domestically. However, the share of local withdrawals in total outflows from NRI deposits has declined to 67 per cent in April-December 2007 from 79 per cent in April-December 2006 and 85 per cent in fiscal 2006-07.

(US \$ million)			
Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2005-06	17,835	15,046	12,454
2006-07	19,914	15,593	13,208
2006-07(Apr-Dec)	14,756	11,083	8,729
2007-08(Apr-Dec)	18,617	19,548	13,020

- Reflecting the significant increase in the accretion to reserves, investment income receipts rose by 54.2 per cent during April-December 2007 from 38.6 per cent in April-December 2006.
- Software services exports at US \$ 27.5 billion in April-December 2007 recorded a growth of 26.3 per cent (31.3 per cent in April-December 2006).
- Miscellaneous receipts, net of software exports, stood at US \$ 18.1 billion in April-December 2007 (US \$ 17.6 billion in April-December 2006). The break-up of these data is presented in Table 6.

(US \$ million)								
Item	Receipts				Payments			
	April-December		April-March		April-December		April-March	
	2007-08	2006-07	2006-07	2005-06	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5	6	7	8	9
1. Communication Services	1,756	1,538	2,099	1,575	570	508	659	289
2. Construction	552	239	332	242	514	529	737	723
3. Financial	2,204	1,455	2,913	1,209	2,072	903	2,087	965
4. News Agency	508	243	334	185	355	110	219	130
5. Royalties, copyrights & License Fees	111	45	97	191	771	641	1,038	594
6. Business Services	12,098	13,174	19,266	9,307	11,252	10,394	17,093	7,748
7. Personal, Cultural, Recreational	434	124	173	189	129	85	116	84
8. Others	459	811	1,041	5,608	1,129	4,177	4,357	5,998
Total (1 to 8)	18,122	17,629	26,256	18,505	16,792	17,347	26,306	16,531

- The key components of invisible payments were travel payments, transportation, business and management consultancy, engineering and other technical services, dividend, profit and interest payments. Invisible payments recorded a moderate growth of 15.4 per cent during April-December, 2007 as compared with 21.3 per cent in April-December 2006 mainly led by a moderation in payments relating to business and communication services.
- A sharp rise in travel payments during April-December 2007 (31.1 per cent as against 4.4 per cent during April-December 2006) reflected the pace of outbound tourist traffic.
- Higher transportation payments during April-December 2007 (33.3 per cent as against negligible growth during April-December 2006) mainly reflected the pace of rising volume of imports and the rising freight cost due to elevated levels of crude oil prices.
- The key components of the business services receipts and payments were mainly the trade related services, business and management consultancy services, architectural, engineering and other technical services, and services relating to maintenance of offices (Table 7).

Table 7: Business Services								
(US \$ million)								
Item	Receipts				Payments			
	April-December		April-March		April-December		April-March	
	2007-08	2006-07	2006-07	2005-06	2007-08	2006-07	2006-07	2005-06
	1	2	3	4	5	6	7	8
1. Trade Related	1,586	620	939	521	1,621	1,188	1,655	1,206
2. Business & Management Consultancy	3,612	4,530	7,346	2,320	2,400	2,853	5,027	1,806
3. Architectural, Engineering and other technical	2,001	4,616	6,134	3,193	2,167	2,090	3,673	1,414
4. Maintenance of offices	2,154	1,755	2,334	1,577	1,748	1,896	3,424	2,074
5. Others	2,745	1,653	2,513	1,696	3,316	2,367	3,314	1,248
Total (1 to 5)	12,098	13,174	19,266	9,307	11,252	10,394	17,093	7,748

- The growth in investment income receipts is mainly led by interest earnings on foreign exchange reserves, dividend and profits and reinvested earnings, while investment income payments increased mainly on account of reinvested earnings and dividends and profits (Table 8).

Table 8: Details of Receipts and Payments of Investment Income

(US \$ million)

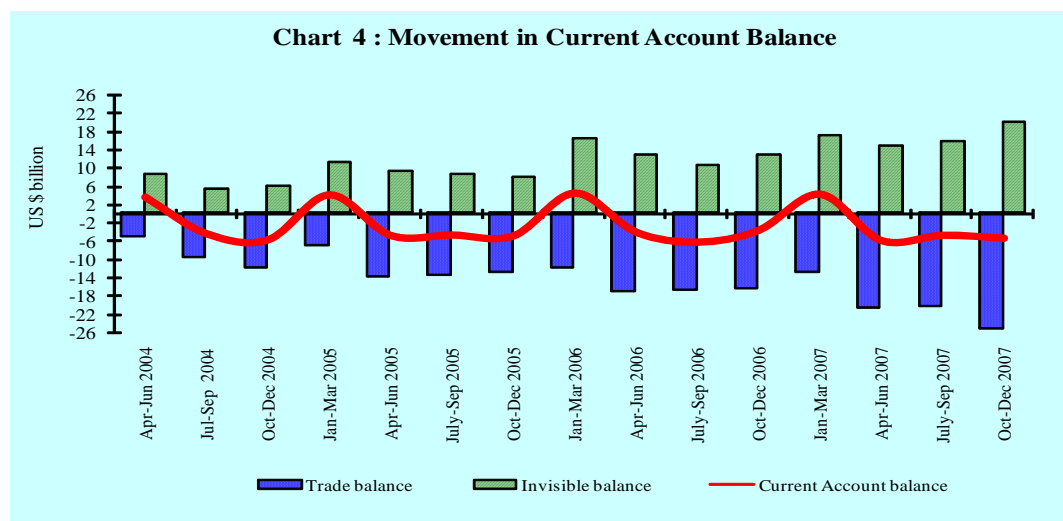
Item	April-December		April-March	
	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5
Receipts	9,297	6,029	8,908	6,229
<i>Of which:</i>				
1. Reinvested Earning	813	807	1,076	1,092
2. Interest/discount Earnings on Foreign exchange reserves	6,889	4,364	6,640	4,519
Payments	12,655	10,763	14,926	11,491
<i>Of which:</i>				
1. Interest Payment on NRI deposits	1,504	1,469	1,971	1,497
2. Interest Payment on ECBs	1,917	1,131	1,685	3,148
3. Interest Payments on External Assistance	821	719	982	825
4. Dividends and Profits	2,689	2,453	3,485	2,502
5. Reinvested Earnings	4,476	3,726	5,091	2,760

- The expansion in invisible surplus (US \$ 50.5 billion in April-December 2007 as against US \$ 36.3 billion in April-December 2006) reflected mainly the rise in remittances from the overseas Indians and software services exports.

Current Account Deficit

- Despite the higher invisibles surplus, the widening trade deficit led to the increase in the current account deficit to US \$ 16.0 billion in April-December 2007 from US \$ 14.0 billion in April-December 2006 (Chart 4).

Chart 4 : Movement in Current Account Balance



Capital Account

- The gross volume of capital inflows to India amounted to US \$ 288.2 billion in April-December 2007 as against the outflows at US \$ 206.2 billion (Table 9). Reflecting this, the net capital flows (inflows minus outflows) at US \$ 81.9 billion in April-December 2007 were 2.7 times than that of April-December 2006 and 1.8 times of the net flows in the full fiscal year 2006-07.

Table 9: Gross Capital Inflows and Outflows during April-December 2007								
(US \$ million)								
Item	Inflows				Outflows			
	April-December		April- March		April- December		April- March	
	2007-08	2006-07	2006-07	2005-06	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5	6	7	8	9
1. Foreign Direct Investment	19,748	17,453	22,959	9,178	11,346	9,873	14,480	6,144
2. Portfolio Investment	161,387	77,400	109,622	68,120	128,391	72,187	102,560	55,626
3. External Assistance	2,788	2,475	3,763	3,631	1,538	1,472	1,996	1,929
4. External Commercial Borrowings	22,641	13,191	20,973	14,343	6,345	3,379	4,818	11,835*
5. NRI Deposits	18,617	14,756	19,914	17,835	19,548	11,083	15,593	15,046
6. Banking Capital excluding NRI Deposits	16,005	8,067	17,295	3,823	9,303	11,510	19,703	5,239
7. Short-term Trade Credits	32,306	21,831	29,992	21,505	21,461	16,153	23,380	17,806
8. Rupee Debt Service	0	0	0	0	45	69	162	572
9. Other Capital	14,688	3,044	7,724	5,941	8,261	2,352	3,771	4,709
Total (1 to 9)	288,180	158,217	232,242	144,376	206,238	128,078	186,463	118,906

* includes redemption of India Millennium Deposits of US \$ 5.5 billion.

- All components of capital flows, except NRI deposits recorded higher inflows during April-December 2007 (Table 10).

Table 10: Net Capital Flows during April-December 2007				
(US \$ million)				
Item	April-December		April-March	
	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5
1. Foreign Direct Investment	8,402	7,580	8,479	3,034
2. Portfolio Investment	32,996	5,213	7,062	12,494
3. External Assistance	1,250	1,003	1,767	1,702
4. External Commercial Borrowings	16,296	9,812	16,155	2,508*
5. NRI Deposits	-931	3,673	4,321	2,789
6. Banking Capital excluding NRI Deposits	6,702	-3,443	-2,408	-1,416
7. Short-term Trade Credits	10,845	5,678	6,612	3,699
8. Rupee Debt Service	-45	-69	-162	-572
9. Other Capital @	6,427	692	3,953	1,232
Total (1 to 9)	81,942	30,139	45,779	25,470

* Include the impact of redemption of Indian Millennium Deposits of US \$ 5.5 billion.
 @ include items shown in Table 11.

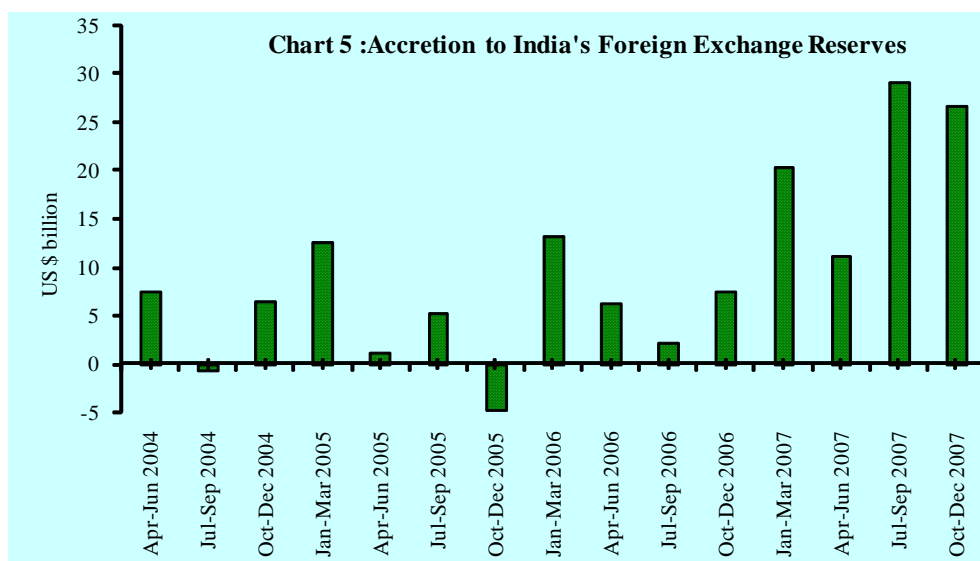
- Foreign direct investments (FDI) broadly comprise equity, reinvested earnings and loans. Net inward FDI at US \$ 18.0 billion during April-December 2007 (US \$ 17.0 billion in April-December 2006) reflected the continued strength of sustained domestic activity and positive investment climate with inflows channeling into construction, manufacturing, business and computer services. Net outward FDI stood at US \$ 9.5 billion during April-December 2007 (US \$ 9.4 billion in April-December 2006) reflecting the preference of the Indian companies for global expansion in terms of markets and resources. Thus, net FDI flows (net inward FDI minus net outward FDI) were recorded at US \$ 8.4 billion during April-December 2007 as against US \$ 7.6 billion in April-December 2006.
- Higher net ECBs at US \$ 16.3 billion during April-December 2007 (US \$ 9.8 billion during April-December 2006) were enabled by finer spreads on ECBs and rising financing requirements for domestic capacity expansion.
- It may be mentioned that based on a review, ECB policy was modified in August 7, 2007 as under:
 - (a) Under the Automatic Route, ECBs up to US \$ 500 million per borrowing company per financial year is permitted only for foreign currency expenditures for permissible end-uses.
 - (b) ECBs for Rupee expenditure is permitted only up to US \$ 20 million for permissible end uses and would require prior approval of the Reserve Bank.
- Net short term trade credit was at US \$ 10.8 billion (inclusive of suppliers' credit up to 180 days) in April-December 2007. Out of total short-term trade credit, the suppliers' credit up to 180 days amounted to US \$ 4.2 billion during April-December, 2007.
- There was a net outflow on account of NRI deposits during April-December 2007 as the interest rates on such deposits have been reduced in the recent period.
- Banking capital, net of NRI deposits, registered higher inflows during April-December 2007, reflecting the drawdown of assets held abroad by the Indian banks, particularly in Q2 of 2007-08.
- Other capital includes leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI and other capital receipts not included elsewhere (*n.i.e*) (Table 11).
- 'Leads and lags' in exports represent differences between the merchandise exports data recorded through the banking channel and the data recorded through Customs due to timing and the valuation differences.
- 'Funds held abroad' represent the funds raised through ECBs and ADRs/GDRs but held abroad and not repatriated to India.
- 'Advances received pending issue of shares under FDI' include the amount of consideration for such shares by inward remittance through normal banking channel. However, the entire amount of advance remittances is not utilized for actual issuances of the shares. Thus, the difference between the advance remittances received and the actual shares issued is treated as part of 'other capital'.

- The transactions under other capital 'not included elsewhere' (*n.i.e.*) comprise of cross border transactions relating margins of financial derivatives and hedging, migrant transfers and other capital transfers and realisation of guarantees on default, and venture capital. The transactions relating to financial derivatives and hedging relate to payments for margins and settlement of such transactions. Foreign venture capital is permitted to invest in the equity of Indian Venture Capital Undertakings (IVCUs) and units of Venture Capital Funds (VCFs). The investment by Foreign Venture Capital Investors (FVCIs) in IVCUs is reported to RBI and is, therefore, included within the current reporting framework of FDI. However, for the funding of IVCFs there was no separate reporting system and hence these get covered under other capital *n.i.e.* Migrant transfers include the transfer of capital assets by the Indian migrants from abroad and payments of compensation.

Table 11: Details of 'Other Capital' (Net)				
(US \$ million)				
Item	April-December		April-March	
	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5
1. Lead and Lags in Exports	2,772	2,192	773	-564
2. Net Funds Held Abroad	-3,718	-1,305	496	236
3. Advances received Pending Issue of Shares under FDI	5,561	-	-	-
4. Other capital receipts not included elsewhere (<i>n.i.e.</i>) (Inclusive of derivatives and hedging, migrant transfers and other capital transfers)	1,812	-195	2,684	1,560
Total (1 to4)	6,427	692	3,953	1,232
- Nil.				

Reserves Accretion

- Net accretion to foreign exchange reserves on a BoP basis (i.e., excluding valuation) at US \$ 67.2 billion during April-December 2007 was enabled by strong capital inflows, notwithstanding a current account deficit (Chart 5). Taking into account the valuation gain of US \$ 8.9 billion, foreign exchange reserves recorded an increase of US \$ 76.1 billion during April-December 2007 as against an increase of US \$ 25.6 billion during the corresponding period of the previous year [A press release on sources of accretion to foreign exchange reserves is released separately].



- At the end of December 2007, the outstanding foreign exchange reserves stood at US \$ 275.3 billion. The level of reserves further increased to US \$ 304.7 billion as on March 21, 2008.

To sum up, the key features of India's BoP that emerged in April-December 2007-08 were: (i) sharp rise in trade deficit mainly led by high imports, (ii) significant increase in invisible surplus led by remittances from overseas Indians and software services, (iii) higher CAD due to widening trade deficit, (iv) substantial increase in capital flows (net) which were 2.7 times of April-December 2006, (v) large accretion to reserves at US \$ 67.2 billion.

III. Revisions in the BoP Data for first and second quarter of 2007-08

According to the Revision Policy announced on September 30, 2004, the data for the first and second quarter of 2007-08 have been revised based on latest information reported by various reporting entities. The revised data are presented in the standard format of presentation in Statement 1.

IV. Reconciliation of Import Data

During April-December 2007, based on the records of the DGCI&S' imports data and the BoP merchandise imports, the difference between the two data sets works out to US \$ 10.4 billion as compared with US \$ 8.6 billion during the corresponding period of 2006-07. The difference between the BoP merchandise imports and the import data of DGCI&S for the fiscal year 2006-07 worked out to US \$ 5.6 billion (Table 12).

(US \$ billion)				
Item	April-December		April-March	
	2007-08	2006-07	2006-07	2005-06
1	2	3	4	5
1. BoP Imports	181.6	142.7	191.3	157.1
2. DGCI&S Imports	171.2	134.1	185.7	149.2
3. Difference (1-2)	10.4	8.6	5.6	7.9

V. External Debt for the Quarter ending December 2007

As per the existing practice, the external debt for the quarters ending March and June are compiled and released by the Reserve Bank of India, while the external debt for quarters ending September and December are compiled and released by the Ministry of Finance, Government of India. Accordingly, the data on external debt for the quarter ending December 2007 are being released by the Ministry of Finance, Government of India today. The same could be accessed at <http://finmin.nic.in>. As mentioned earlier, the external debt data now includes suppliers' credit up to 180 days with effect from end-March 2005.

Alpana Killawala
Chief General Manager

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