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India's Balance of Payments Developments during Fourth Quarter of 2007-08 (*i.e.*, January-March 2008) and April-March 2007-08

Preliminary data on India's balance of payments (BoP) for the fourth quarter (Q4) of the financial year 2007-08, *i.e.*, January-March 2008, are now available. These preliminary data, combined with the partially revised data for the first three quarters (*i.e.*, April-June 2007, July-September 2007 and October-December 2007) provide an assessment of the BoP for the financial year 2007-08. Full details of these data are set out in the standard format of BoP presentation in Statements 1 and 2.

January-March 2008

The major items of the BoP for Q4 of 2007-08 along with Q1, Q2 and Q3 are set out in Table 1.

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

(US $ million)

Item	January-March(Q4)		October-December(Q3)		July-September(Q2)		April-June(Q1)	
	2008(P)	2007 (PR)	2007(PR)	2006 (PR)	2007 (PR)	2006(PR)	2007(PR)	2006(PR)
1	2	3	4	5	6	7	8	9
1. Exports	42,830	35,700	42,284	30,933	37,595	31,836	35,752	29,614
2. Imports	66,623	48,570	67,376	47,460	58,069	48,593	56,453	46,631
3. Trade Balance (1-2)	-23,793	-12,870	-25,092	-16,527	-20,474	-16,757	-20,701	-17,017
4. Invisibles, net	22,752	17,122	19,975	12,849	15,530	10,482	14,400	12,952
5. Current Account Balance (3+4)	-1,041	4,252	-5,117	-3,678	-4,944	-6,275	-6,301	-4,065
6. Capital Account*	26,031	16,200	31,855	11,183	34,180	8,545	17,501	10,444
7. Change in Reserves#	-24,990	-20,452	-26,738	-7,505	-29,236	-2,270	-11,200	-6,379
(- Indicates increase)								

*: 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 growth of 20.0 per cent in Q4 of 2007-08 as compared with 16.7 per cent in Q4 of 2006-07.
- Import payments, on BoP basis, recorded 37.2 per cent growth in Q4 of 2007-08 as against an increase of 14.7 per cent in Q4 of 2006-07.
- According to the data released by Directorate General of Commercial Intelligence and Statistics (DGCI&S), while there was significant growth in oil imports at 88.9 per cent in Q4 of 2007-08 (5.3 per cent in Q4 of 2006-07), non-oil imports recorded a growth of 30.6 per cent (growth of 21.4 per cent in Q4 of 2006-07). The key drivers of growth in non-oil imports were capital goods, coal and coke, chemicals and fertilisers.

- The sharp increase in oil imports reflected the impact of increasing oil price of the Indian basket of international crude (a mix of Oman, Dubai and Brent varieties), which increased to US $ 93.9 per barrel in Q4 of 2007-08 from US $ 56.4 per barrel in the corresponding quarter of the previous year.

Trade Deficit

- On BoP basis, the trade deficit increased to US $ 23.8 billion in Q4 of 2007-08 (US $ 12.9 billion in Q4 of 2006-07) mainly on account of higher growth in crude oil imports.

Invisibles

- Invisible receipts showed a growth of 26.2 per cent in Q4 of 2007-08 (25.6 per cent in Q4 of 2006-07), while payments recorded a growth of 20.0 per cent in Q4 of 2007-08 (52.7 per cent in Q4 of 2006-07).
- Steady expansion in invisibles surplus to US $ 22.8 billion in Q4 of 2007-08 (US $ 17.1 billion in Q4 of 2006-07), reflected mainly the growth in exports of software services and travel receipts, and inward remittances from overseas Indians for family maintenance.

Current Account

- The current account balance turned into a deficit in Q4 of 2007-08 (US $ 1.0 billion) as against a surplus (US $ 4.3 billion) in Q4 of 2006-07, mainly due to surge in crude oil imports.

Capital Account and Reserves

- The net capital inflows rose substantially to US $ 25.4 billion in Q4 of 2007-08 from US $ 15.6 billion in Q4 of 2006-07. The major sources of capital inflows were external commercial borrowings (ECBs), foreign direct investment (FDI), short term trade credit and overseas borrowings by the banks.
- Foreign Direct Investment (FDI) showed strong bi-directional movement, reflecting higher inward FDI as well as outward FDI by the Indian companies.
- On the back of global developments such as volatility and weakness in the major stock markets and withdrawal of funds from the emerging markets, portfolio equity witnessed net outflows in Q4 of 2007-08 as against net inflows in the corresponding period of the previous year.
- On BoP basis, accretion to foreign exchange reserves (excluding valuation) at US $ 25.0 billion in Q4 of 2007-08 was higher than US $ 20.5 billion in Q4 of 2006-07, mainly led by buoyant capital inflows (Table 2).

Table 2: Sources of Accretion to Reserves (BoP Basis) in January-March 2008

(US $ million)

Item	2008P	2007PR	2006R
1	2	3	4
A. Current Account Balance	-1,041	4,252	4,489
B. Capital Account*	26,031	16,200	8,732
Of Which			
Foreign Direct Investment	6,350	899	-760
Portfolio Investment	-3,735	1,849	4,333
External Commercial Borrowings	4,827	6,343	3,645
Banking Capital	5,826	1,683	-427
Short Term Trade Credits	6,302	934	-15
C. Change in Reserves (- indicates	-24,990	-20,452	-13,221

*: Including errors and omissions #: On BoP basis excluding valuation. P: Preliminary.

To sum up, the salient features of India's BoP that emerged in Q4 of 2007-08 were: (i) a sharp rise in trade deficit due to rise in crude oil imports, (ii) steady pace of invisibles surplus mainly led by remittances from overseas Indians and software services, (iii) turnaround in the current account balance to a deficit in Q4 of 2007-08 from a surplus in Q4 of 2006-07, and (iii) substantial increase in capital flows led by FDI, short term credit and overseas borrowings by the banks, leading to large accretion to reserves.

2007-08 (April-March)

The BoP position for the full financial year 2007-08 has been worked out taking into account the partially revised data for the first three quarters of 2007-08 and the preliminary data compiled for Q4 of 2007-08. While the detailed data are set out in Statement 2 in the standard format of presentation, the major items are set out in Table 3.

Table 3: Major Items of India's Balance of Payments

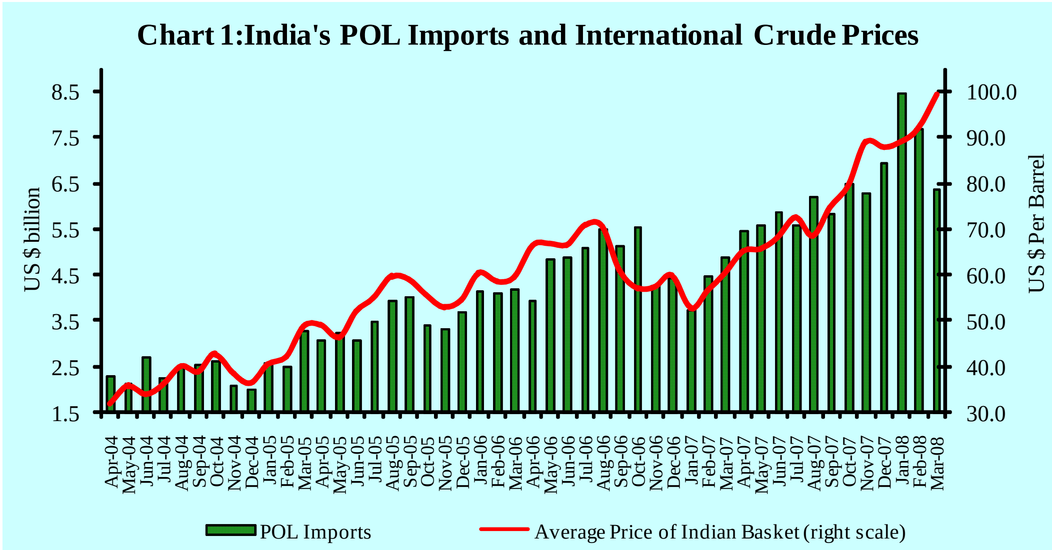
(US $ million)

Item	2007-08P	2006-07PR	2005-06R
1	2	3	4
1. Exports	158,461	128,083	105,152
2. Imports	248,521	191,254	157,056
3. Trade Balance (1-2)	-90,060	-63,171	-51,904
4. Invisibles, net	72,657	53,405	42,002
5. Current Account Balance (3+4)	-17,403	-9,766	-9,902
6. Capital Account*	109,567	46,372	24,954
7. Change in Reserves# (- Indicates increase)	-92,164	-36,606	-15,052

*: Including errors and omissions. #: On BoP basis excluding valuation. P: Preliminary. PR: Partially Revised. R: Revised

Merchandise Trade

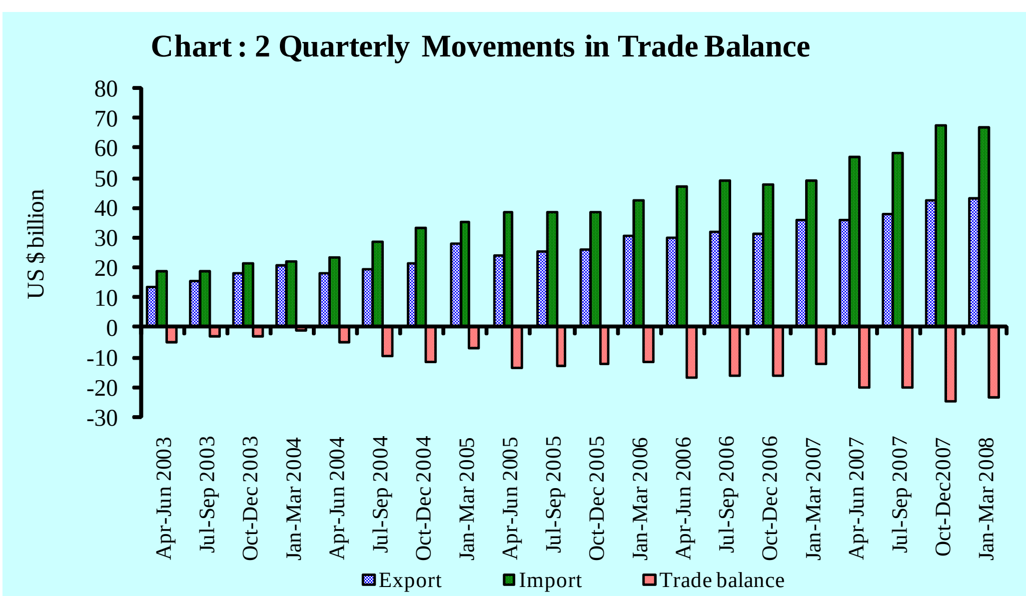
- On BoP basis, merchandise exports recorded an increase of 23.7 per cent during 2007-08 (21.8 per cent in the previous year).
- Merchandise import payments, on BoP basis, showed a growth of 29.9 per cent in 2007-08 (21.8 per cent in 2006-07).
- The commodity-wise data released by DGCI&S (April-February 2007-08) revealed a pick up in the growth of primary products, while manufactured exports witnessed some moderation in growth. Agriculture and allied products, engineering goods, gems and jewellery and petroleum products were the mainstay of exports, as these items contributed about 72 per cent of the export growth during April-February 2007-08.
- According to the data released by DGCI&S, POL imports during 2007-08 at US $ 76.9 billion recorded a growth of 34.6 per cent (30 per cent in 2006-07), driven mainly by the surge in international crude oil prices, while imports in terms of quantity showed subdued growth. The average import price of Indian basket of crude oil (a mix of Oman, Dubai and Brent varieties) stood at US $ 79.5 per barrel during 2007-08 (ranging between US $ 65.5 – US $ 99.8 per barrel), which was higher by 27.3 per cent than the average price of US $ 62.4 per barrel (ranging between US $ 52.4 - US $ 71.3 per barrel) in 2006-07 (Chart 1). The growth in quantity of POL imports during 2007-08 at 11.8 per cent was lower than the previous year (14.5 per cent).



- According to the DGCI&S data, non oil imports increased by 23.5 per cent in 2007-08 (22.2 per cent in 2006-07) mainly led by strong growth in imports of capital goods and gold and silver.
- During April-February 2007-08, imports of gold and silver grew by 24.9 per cent (29.2 per cent during the same period of last year). Non-oil imports excluding gold and silver increased by 32.1 per cent as compared with 22.3 per cent a year ago. Capital goods accounted for 40 per cent of the non-oil imports excluding gold and silver.
- The other major non-oil products which showed accelerated growth in imports during the period were edible oil, fertilisers, iron and steel, pearls, precious and semi-precious stones, chemicals, textiles, coal, and coke.

Trade Deficit

- On BoP basis, with imports outpacing the growth in exports, trade deficit widened to US $ 90.1 billion in 2007-08 (7.7 per cent of GDP) from US $ 63.2 billion (6.9 per cent of GDP) in 2006-07 (Chart 2).



Invisible Account

Receipts

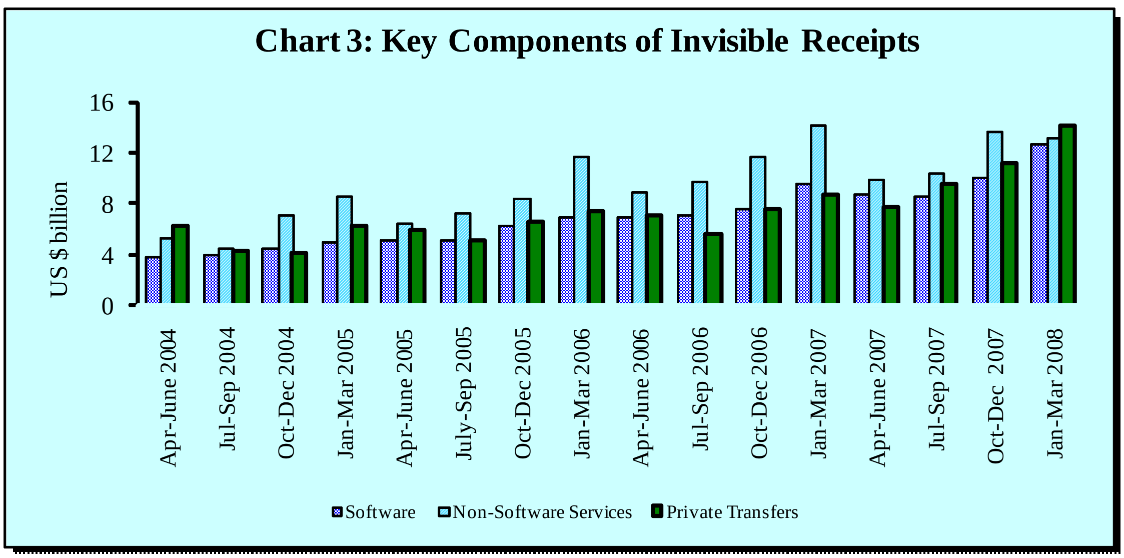
- Invisible receipts, comprising services, current transfers and income, rose by 26.2 per cent during 2007-08 (28.3 per cent in 2006-07) mainly due to the momentum maintained in the growth of software services exports, travel, transportation, along with the steady inflow of remittances from overseas Indians (Table 4 and Chart 3).

Table 4 : Invisible Gross Receipts and Payments

(US $ million)

Item	Invisible Receipts			Invisible Payments		
	2007-08P	2006-07PR	2005-06R	2007-08P	2006-07PR	2005-06R
1	2	3	4	5	6	7
1.Travel	11,349	9,123	7,853	9,231	6,685	6,638
2.Transportation	9,503	8,050	6,325	11,610	8,068	8,337
3.Insurance	1,585	1,202	1,062	1,042	642	1,116
4.Govt. not included elsewhere	331	250	314	382	403	529
5.Transfers	43,343	29,589	25,620	2,326	1,421	933
6.Income	14,227	9,304	6,408	20,137	15,877	12,263
Investment Income	*13,799*	*8,908*	*6,229*	*19,038*	*14,926*	*11,491*
Compensation of Employees	*428*	*396*	*179*	*1,099*	*951*	*772*
7.Miscellaneous	64,919	57,556	42,105	27,872	28,573	17,869
Of Which: Software	*40,300*	*31,300*	*23,600*	*3,249*	*2,267*	*1,338*
Non-Software	*24,619*	*26,256*	*18,505*	*24,623*	*26,306*	*16,531*
Total (1 to 7)	**145,257**	**115,074**	**89,687**	**72,600**	**61,669**	**47,685**

Note: Details of Non-software services under miscellaneous are given in Table 7.
P: Preliminary PR: Partially Revised R: Revised



- Private transfer receipts, mainly comprising remittances from Indians working overseas amounted to US $ 42.6 billion in 2007-08 as compared with US $ 29.0 billion in 2006-07.

- Private transfers, as set out in Table 5, 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.

- Under Private transfer, the inward remittances for family maintenance accounted for about 49 per cent of the total private transfers receipts, while local withdrawals accounted for about 45 per cent in 2007-08 (Table 5).

- 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*, e.g. 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.

Table 5: Details of Private Transfers to India

(US $ million)

Year	Total	Of Which: Inward remittances for family maintenance	Local withdrawals/ redemptions from NRI Deposits
1	2	3	4
2005-06R	24,951	10,455	12,454
2006-07PR	28,951	13,561	13,208
2007-08P	42,589	20,950	19,019

P: Preliminary PR: Partially Revised R: Revised

- In the recent past, there has been steady inflow under NRI deposits (Table 6). 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 utilised domestically. However, the share of local withdrawals in total outflows from NRI deposits has declined to 65 per cent in 2007-08 from 85 per cent in 2006-07 and 83 per cent in fiscal 2005-06.

Table 6: Inflows and Outflows from NRI Deposits and Local Withdrawals

(US $ million)

Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2005-06R	17,835	15,046	12,454
2006-07PR	19,914	15,593	13,208
2007-08P	29,321	29,142	19,019

P: Preliminary PR: Partially Revised R: Revised

- Reflecting the significant increase in the accretion to reserves, investment income receipts rose by 54.9 per cent during 2007-08 as against 43.0 per cent in 2006-07.
- Miscellaneous receipts, excluding software exports, stood at US $ 24.6 billion in 2007-08 (US $ 26.3 billion in 2006-07). The break-up of these data is presented in Table 7.
- Software services exports at US $ 40.3 billion in 2007-08 (US $ 31.3 billion in 2006-07) recorded a growth of 28.8 per cent (32.6 per cent in 2006-07).

Table 7: Non-Software Miscellaneous Receipts and Payments						
(US $ million)						
Items	Receipts			Payments		
	2007-08P	2006-07PR	2005-06R	2007-08P	2006-07PR	2005-06R
1	2	3	4	5	6	7
1.Communication Services	2,436	2,099	1,575	837	659	289
2.Construction	780	332	242	693	737	724
3.Financial	3,085	2,913	1,209	2,847	2,087	965
4.News Agency	643	334	185	413	219	130
5.Royalties, Copyrights & License Fees	157	97	191	1,038	1,038	594
6.Business Services	16,624	19,266	9,307	16,668	17,093	7,748
7.Personal, Cultural, Recreational	559	173	189	174	116	84
8.Others	335	1,042	5,607	1,953	4,357	5,997
Total (1 to 8)	**24,619**	**26,256**	**18,505**	**24,623**	**26,306**	**16,531**
Note: Details of Business Services (item 6) are given in Table 8. P: Preliminary PR: Partially Revised. R: Revised.						

- Business services receipts were mainly driven by trade related services, business and management consultancy services, architectural and engineering services and other technical services, and office maintenance services. These reflect the underlying momentum in trade of professional and technology related services (Table 8).

Table 8: Business Services						
(US $ million)						
Item	**Receipts**			**Payments**		
	2007-08P	2006-07PR	2005-06R	2007-08P	2006-07PR	2005-06R
1	2	3	4	5	6	7
1. Trade Related	2,223	939	521	2,258	1,655	1,206
2. Business & Management Consultancy	4,215	7,346	2,320	3,400	5,027	1,806
3. Architectural, Engineering and other technical	3,287	6,134	3,193	3,235	3,673	1,414
4. Maintenance of offices	2,867	2,334	1,577	2,827	3,424	2,074
5. Others	4,032	2,513	1,696	4,947	3,314	1,248
Total (1 to 5)	**16,624**	**19,266**	**9,307**	**16,668**	**17,093**	**7,748**
P: Preliminary PR: Partially Revised. R: Revised.						

Payments

- Invisible payments grew by 17.7 per cent in 2007-08 (29.3 per cent in 2006-07). The key components of invisible payments were travel payments, transportation, business and management consultancy, engineering and other technical services, dividend, profit and interest payments. The moderation in growth rate of invisible payments during 2007-08 was mainly due to moderate payments relating to a number of business and professional services.
- A sharp rise of 38.1 per cent in travel payments during 2007-08 as against a negligible growth in 2006-07 reflected the pace of outbound tourist traffic as also the impact of liberalisation of outward foreign exchange remittances for individuals.

- Higher transportation payments during 2007-08 (43.9 per cent) mainly reflected the pace of rising volume of imports. In addition, the higher payments may also be attributed to the rising freight rates on international shipping due to surge in international crude oil prices.
- The business services payments reflected the trade related services, business and management consultancy services, architectural, engineering and other technical services and the services relating to maintenance of offices (Table 8).
- Investment income payments increased mainly on account of interest payments on external commercial borrowings and reinvested earnings of FDI companies in India (Table 9).

Table 9: Details of Receipts and Payments of Investment Income

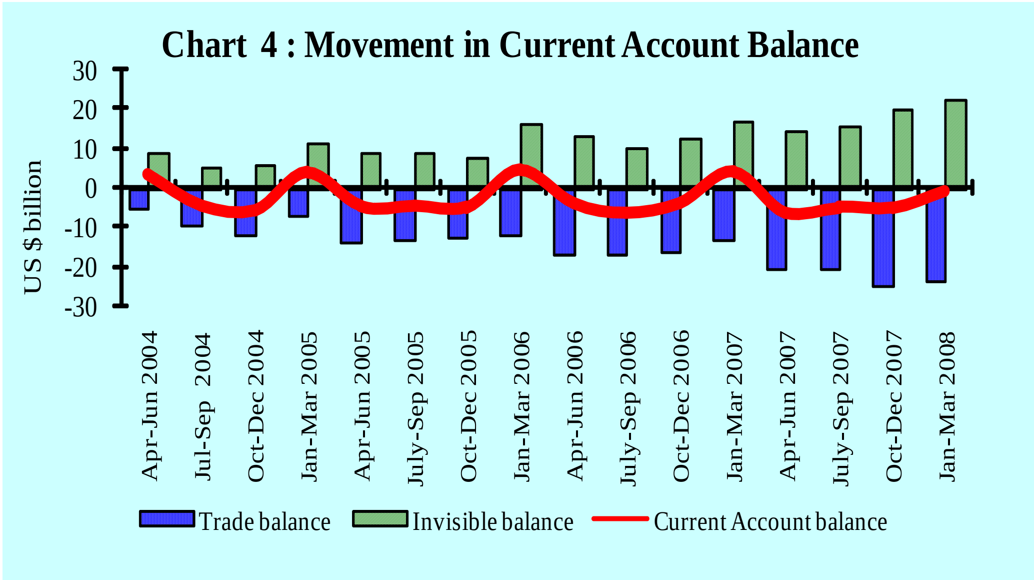
(US $ million)

Item	2007-08P	2006-07PR	2005-06R
1	2	3	4
Receipts *Of which:*	**13,799**	**8,908**	**6,229**
1. Reinvested Earnings on Indian Investment Abroad	1,084	1,076	1,092
2. Interest/discount Earnings on Foreign exchange reserves	10,124	6,640	4,519
Payments *Of which:*	**19,038**	**14,926**	**11,491**
1. Interest Payment on NRI deposits	1,813	1,971	1,497
2. Interest Payment on ECBs	4,202	1,685	3,148
3.Interest Payments on External Assistance	1,143	982	825
4. Dividends and Profits	3,255	3,485	2,502
5. Reinvested Earnings of FDI companies in India	6,885	5,091	2,760
P: Preliminary PR: Partially Revised. R: Revised.			

- The expansion in invisible surplus to US $ 72.7 billion in 2007-08 (US $ 53.4 billion in 2006-07) reflected mainly the steady inflows of remittances from the overseas Indians and software services exports.

Current Account Deficit

- During 2007-08, the widening of the trade deficit mainly led by imports resulted in a higher level of current account deficit which stood at US $ 17.4 billion or 1.5 per cent of GDP (US $ 9.8 billion or 1.1 per cent of GDP in 2006-07) (Chart 4).



Capital Account

- Both capital inflows to India and outflows from India remained large during 2007-08 reflecting the increased liberalisation of capital account, investors' optimism and sustained growth momentum of India. The gross capital inflows to India amounted to US $ 428.7 billion as against an outflow of US $ 320.7 billion during 2007-08 (Table 10).
- The net capital flows (inflows minus outflows) at US $ 108.0 billion (9.2 per cent of GDP) in 2007-08 were 2.4 times than that of 2006-07 (US $ 45.8 billion or 5.0 per cent of GDP) and 4.2 times of the net flows of 2005-06 (US $ 25.5 billion or 3.1 per cent of GDP) (Table 11).

Table 10: Gross Capital Inflows and Outflows

(US $ million)

Item	Gross Inflows			Gross Outflows		
	2007-08P	2006-07PR	2005-06R	2007-08P	2006-07PR	2005-06R
1	2	3	4	5	6	7
1. Foreign Direct Investment	34,924	22,959	9,178	19,379	14,480	6,144
2. Portfolio Investment	235,630	109,622	68,120	206,369	102,560	55,626
3. External Assistance	4,241	3,763	3,631	2,127	1,996	1,929
4. External Commercial Borrowings	29,851	20,973	14,343	7,686	4,818	11,835*
5. NRI Deposits	29,321	19,914	17,835	29,142	15,593	15,046
6. Banking Capital excluding NRI Deposits	26,412	17,295	3,823	14,834	19,703	5,239
7. Short-term Trade Credits	49,411	29,992	21,505	31,728	23,380	17,806
8. Rupee Debt Service	0	0	0	121	162	572
9. Other Capital	18,950	7,724	5,941	9,323	3,771	4,709
Total (1 to 9)	**428,740**	**232,242**	**144,376**	**320,709**	**186,463**	**118,906**

*Including the impact of IMD redemptions amounting to US $ 5.5 billion. P: Preliminary PR: Partially Revised R: Revised.

- The capital flows were dominated both by the debt as well as the non-debt flows. While large inflows and outflows were recorded in almost all the components of capital flows, there were only lower net inflows witnessed in the segment of Non-Resident Indian (NRI) deposits.

Table 11: Net Capital Flows			
			(US $ million)
Item	2007-08P	2006-07PR	2005-06R
1	2	3	4
1. Foreign Direct Investment	15,545	8,479	3,034
2. Portfolio Investment *Of which:*	29,261	7,062	12,494
FIIs	20,328	3,225	9,926
ADR/GDRs	8,769	3,776	2,552
3. External Assistance	2,114	1,767	1,702
4. External Commercial Borrowings	22,165	16,155	2,508*
5. NRI Deposits	179	4,321	2,789
6. Banking Capital excluding NRI Deposits	11,578	-2,408	-1,416
7. Short-term Trade Credits	17,683	6,612	3,699
8. Rupee Debt Service	-121	-162	-572
9. Other Capital	9,627	3,953	1,232
Total (1 to 9)	**108,031**	**45,779**	**25,470**

Note: Details of Other Capital (Item 9) are given in Table 12.
*Including the impact of IMD redemptions amounting to US $ 5.5 billion. P: Preliminary PR: Partially Revised R: Revised.

- Foreign direct investments (FDI) broadly comprise equity, reinvested earnings and inter-corporate loans. Net FDI flows (net inward FDI minus net outward FDI) amounted to US $ 15.5 billion in 2007-08 as against US $ 8.5 billion in 2006-07. Net inward FDI at US $ 32.3 billion during 2007-08 (US $ 22.0 billion in 2006-07) reflected the continued strength of sustained domestic activity and positive investment climate with inflows channelising into construction, manufacturing, business and computer services. Net outward FDI stood at US $ 16.8 billion during 2007-08 (US $ 13.5 billion in 2006-07) reflecting the pace of global expansion by the Indian companies in terms of markets and resources.

- As regards portfolio equity flows, foreign institutional investors (FIIs) made net purchases in the Indian stock market throughout the year 2007-08 except during the months of August, November, February and March. The large FII inflows (net) in 2007-08 at US $ 20.3 billion as against US $ 3.2 billion in 2006-07 also reflected increased participation of FIIs in primary markets as there were large resources mobilised by the corporates through record level of 85 Initial Public Offerings (IPOs) and 7 Follow-on Public Offers (FPOs) together amounting to US $ 135.4 billion. Reflecting the buoyant stock market, the resources mobilised by the Indian companies through their global offerings of ADRs/GDRs abroad also remained large amounting to US $ 8.8 billion in 2007-08 (US $ 3.8 billion in 2006-07). As a result of large FII flows and resource mobilisation through ADRs/GDRs, the net portfolio investment was US $ 29.3 billion in 2007-08 as against US $ 7.1 billion in 2006-07.

- Higher net ECBs at US $ 22.2 billion during 2007-08 (US $ 16.2 billion during 2006-07) were enabled by finer spreads on ECBs and rising financing requirements.

- It may be mentioned that based on a review, ECB policy was modified on August 7, 2007 as under:

  (a) Under the Automatic Route, ECBs up to US $ 500 million per borrowing company per financial year was permitted only for foreign currency expenditures for permissible end-uses.

  (b) ECBs for Rupee expenditure was permitted only up to US $ 20 million for permissible end uses and required prior approval of the Reserve Bank.

- Net short term trade credit was at US $ 17.7 billion (inclusive of suppliers' credit up to 180 days) during the fiscal year 2007-08 as against US $ 6.6 billion during the previous year. The significant rise reflected the increased financing requirements of crude oil imports led by higher crude prices. Out of total short-term trade credit, the suppliers' credit up to 180 days amounted to US $ 6.8 billion during the year 2007-08 (US $ 3.3 billion in 2006-07).

- NRI deposits recorded a marginal net inflow (US $ 179 million) during 2007-08 (as against a large inflow of US $ 4.3 billion in 2006-07) on account of prevailing interest rates on such deposits and large withdrawals from the NR(E)RA for domestic use.

- Banking capital, excluding NRI deposits, registered higher inflows at US $ 11.6 billion during 2007-08 (outflow of US $ 2.4 billion in 2006-07), reflecting the drawdown of assets held abroad by the Indian banks as also the overseas borrowings.

- 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 12). '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 utilised 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 cross border transactions relating to 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.

Table 12: Details of 'Other Capital' (Net)

(US $ million)

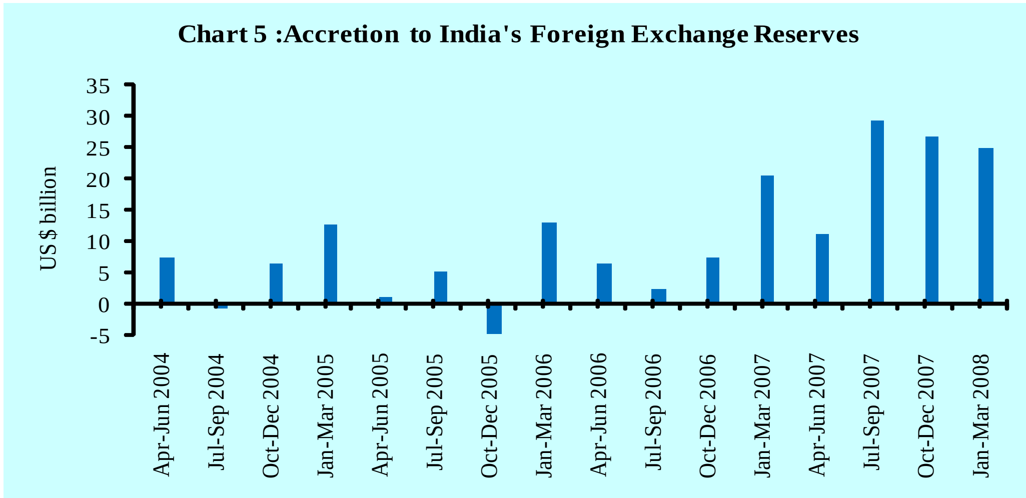
Item	2007-08P	2006-07PR	2005-06R
1	2	3	4
1. Lead and Lags in Exports	1,981	773	-564
2. Net Funds Held Abroad	-4,780	496	236
3. Advances Received Pending Issue of Shares under FDI	8,700	-	-
4. Other capital receipts not included elsewhere *(n.i.e)* *(Inclusive of derivatives and hedging, migrant transfers and other capital transfers)*	3,726	2,684	1,560
Total (1 to 4)	**9,627**	**3,953**	**1,232**

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

Reserves Accretion

- Net accretion to foreign exchange reserves on BoP basis (*i.e.*, excluding valuation) at US $ 92.2 billion in 2007-08 (US $ 36.6 billion in 2006-07) was led mainly by strong capital inflows (Chart 5). Taking into account the valuation gain of US $ 18.3 billion (US $ 11.0 billion in 2006-07), foreign exchange reserves recorded an increase of US $ 110.5 billion in 2007-08 (US $ 47.6 billion in 2006-07) [A Press Release on the sources of accretion to foreign exchange reserves is separately issued].

- At the end of March 2008, with outstanding foreign exchange reserves at US $ 309.7 billion, India held the third largest stock of reserves among the emerging market economies and fourth largest in the world.



To sum up, the key features of India's BoP that emerged in 2007-08 were: (i) sharp rise in trade deficit (7.7 per cent of GDP in 2007-08 from 6.9 per cent in 2006-07) mainly led by high imports, (ii) significant increase in invisible surplus led by remittances from overseas Indians and software services, (iii) higher current account deficit at 1.5 per cent of GDP in 2007-08 as against 1.1 per cent in 2006-07 due to widening of trade deficit, (iv) substantial increase in capital flows (net) which were 2.4 times than their level in 2006-07 and constituted 9.2 per cent of GDP (5.0 per cent of GDP in 2006-07), (v) large accretion to reserves (excluding valuation) at US $ 92.2 billion (US $ 36.6 billion in 2006-07).

Revisions in the BoP Data for first three quarters of 2007-08

According to the Revision Policy announced on September 30, 2004, the data for the first three quarters 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.

Reconciliation of Import Data

During 2007-08, 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 $ 12.8 billion as compared with US $ 5.5 billion in 2006-07 (Table 13).

Table 13 : DGCI&S and the BoP Import Data			
			(US $ million)
Item	2007-08P	2006-07PR	2005-06R
1	2	3	4
1. BoP Imports	248,521	191,254	157,056
2. DGCI&S Imports	235,747	185,749	149,166
3. Difference (1-2)	12,774	5,505	7,890
P: Preliminary	PR: Partially Revised	R: Revised	

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