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India's Balance of Payments Developments during the Second Quarter (July-September 2008) of 2008-09 and Revisions in 2006-07, 2007-08 and First Quarter (April-June 2008) of 2008-09

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2) *i.e.*, July-September 2008 of the financial year 2008-09, are now available. These preliminary data and the partially revised data for the first quarter (Q1) *i.e.*, April-June 2008, have been taken into account for compiling the BoP data for the first half of the current financial year *i.e.*, April-September 2008. Full details of these data are set out in the standard format of BoP presentation in Statements I and II.

As per the Revision Policy, the revisions of the data on balance of payments (BoP) for the financial years 2006-07, 2007-08 and first quarter of 2008-09 have also been undertaken.

1. Balance of Payments (BoP) for July-September 2008 (Q2)

The major items of the BoP for second quarter (Q2) of 2008-09 are set out below in Table 1.

Table 1: Major Items of India's Balance of Payments				
(US \$ million)				
Item	July-September		April-June	
	2008-09 (P)	2007-08 (PR)	2008-09 (PR)	2007-08 (PR)
1	2	3	4	5
1. Exports	47,672	38,273	49,060	34,356
2. Imports	86,287	59,510	79,626	56,346
3. Trade Balance (1-2)	-38,615	-21,237	-30,566	-21,990
4. Invisibles, net	26,077	16,940	20,772	15,310
5. Current Account Balance (3+4)	-12,538	-4,297	-9,794	-6,680
6. Capital Account*	7,804	33,533	12,029	17,880
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	4,734	-29,236	-2,235	-11,200
* : Including errors and omissions. #: On BoP basis excluding valuation. P: Preliminary. PR: Partially Revised.				

Merchandise Trade

- (i) On a BoP basis, India's merchandise exports recorded a growth of 24.6 per cent in Q2 of 2008-09 as compared with 17.0 per cent in Q2 of 2007-08.
- (ii) Import payments, on a BoP basis, registered 45.0 per cent growth in Q2 of 2008-09 as compared with an increase of 22.2 per cent in Q2 of 2007-08.

- (iii) According to the data released by the DGCI&S, both oil imports and non-oil imports during Q2 of 2008-09 were significantly higher by 45.1 per cent (11.3 per cent in Q2 of 2007-08) and 37.6 per cent (22.4 per cent in Q2 of 2007-08), respectively. Oil imports in Q2 of 2008-09 accounted for about 33.2 per cent of total imports (32.0 per cent in Q2 of 2007-08). The major drivers of non-oil imports were capital goods, chemicals and fertilisers.

Trade Deficit

- (i) Consequent upon the relatively higher growth in imports than exports, trade deficit on a BoP basis was higher at US \$ 38.6 billion in Q2 of 2008-09 (US \$ 21.2 billion in Q2 of 2007-08).

Invisibles

- (i) Invisible receipts, comprising services, current transfers and income, rose by 33.9 per cent in Q2 of 2008-09 (36.8 per cent in Q2 of 2007-08) mainly due to increase in receipts under private transfers along with steady growth in software services exports, business and professional services, travel and transportation.
- (ii) Invisible payments reflected outbound tourist traffic from India, rising payments towards transportation, domestic demand for business related services and investment income payments in the form of interest payments and dividends.
- (iii) Net invisibles (invisibles receipts minus invisibles payments) amounted to US \$ 26.1 billion in July-September 2008 (US \$ 16.9 billion in July-September 2007) (Table 2). At this level, net invisibles surplus financed 67.5 per cent of trade deficit in Q2 of 2008-09 (79.8 per cent in Q2 of 2007-08).

Table 2: Net Invisibles				
(US \$ million)				
Item	July-September		April-June	
	2008-09 (P)	2007-08 (PR)	2008-09 (PR)	2007-08 (PR)
1	2	3	4	5
1.Travel	117	201	340	182
2.Transportation	-703	-468	-798	-573
3.Insurance	64	57	122	188
4. Govt. not included elsewhere	-14	-60	20	-16
5.Transfers	14,232	9,300	11,511	8,196
6 .Income	-856	-1,358	-914	-1,860
<i>Investment Income</i>	-829	-1,170	-739	-1,745
<i>Compensation of Employees</i>	-27	-188	-175	-115
7.Miscellaneous	13,237	9,268	10,491	9,193
<i>Of Which:</i>				
<i>Software</i>	10,296	8,249	9,799	8,157
<i>Non-Software</i>	2,941	1,019	692	1,036
Invisibles (Net) (1 to 7)	26,077	16,940	20,772	15,310
P: Preliminary. PR: Partially Revised.				

Current Account Deficit

- (i) Despite higher net invisible surplus mainly emanating from private transfers and software exports, the widening trade deficit mainly due to higher imports led to higher current account deficit at US \$ 12.5 billion in Q2 of 2008-09 (US \$ 4.3 billion in Q2 of 2007-08).

Capital Account and Reserves

- (i) Reflecting the impact of global financial turmoil, gross capital inflows to India showed moderation, while the gross capital outflows remained steady during July-September 2008 as compared with the corresponding period of the previous year.
- (ii) The gross capital inflows to India during Q2 of 2008-09 amounted to US \$ 85.7 billion (US \$ 95.0 billion in Q2 of 2007-08) as against an gross outflows from India at US \$ 77.5 billion (US \$ 61.9 billion in Q2 of 2007-08).
- (iii) Reflecting volatile movement of capital flows, the net capital flows were significantly lower at US \$ 8.2 billion in Q2 of 2008-09 than that of US \$ 33.2 billion in Q2 of 2007-08.
- (iv) Under capital flows (net), foreign direct investments (FDI) witnessed steady growth, while the portfolio investment recorded net outflows (Table 3).
- (v) FDI broadly comprise equity, reinvested earnings and inter-corporate loans. Net FDI flows (net inward FDI minus net outward FDI) were higher at US \$ 5.6 billion in Q2 of 2008-09 as compared with US \$ 2.1 billion in Q2 of 2007-08. Net inward FDI remained buoyant at US \$ 8.8 billion during Q2 of 2008-09 (US \$ 4.7 billion in Q2 of 2007-08) reflecting relatively strong fundamental of Indian economy and continuing liberalization measures by the Government of India to attract FDI. Net outward FDI amounted to US \$ 3.2 billion in Q2 of 2008-09 (US \$ 2.6 billion in Q2 of 2007-08).
- (vi) Portfolio investment primarily comprising foreign institutional investors' (FIIs) investments and American Depository Receipts (ADRs)/Global Depository Receipts (GDRs) continued to witness net outflows at US \$ 1.3 billion in Q2 of 2008-09 (as against net inflows of US \$ 10.9 billion in Q2 of 2007-08). Outflows under portfolio investment were led by large sales of equities by FIIs in the Indian stock market and slowdown in net inflows under ADRs/GDRs due to drying-up of liquidity in the overseas market.
- (vii) The decline in foreign exchange reserves on BoP basis (i.e., excluding valuation) amounted to US \$ 4.7 billion in Q2 of 2008-09 as against an accretion of reserves of US \$ 29.2 billion in Q2 of 2007-08. The decline in the reserves was due to widening trade deficits coupled with moderation in capital flows led by FIIs.

Table 3: Net Capital Flows				
(US \$ million)				
Item	July-September		April-June	
	2008-09 (P)	2007-08 (PR)	2008-09 (PR)	2007-08 (PR)
1	2	3	4	5
1. Foreign Direct Investment	5,563	2,128	8,994	2,736
2. Portfolio Investment	-1,310	10,899	-4,211	7,542
3. External Assistance	518	468	351	241
4. External Commercial Borrowings	1,860	4,210	1,481	6,953
5. NRI Deposits	259	369	814	-447
6. Other Banking Capital	1,872	6,274	1,882	-472
7. Short-term Trade Credits	776	4,627	2,397	1,962
8. Rupee Debt Service	-3	-2	-30	-43
9. Other Capital	-1,363	4,182	88	-680
Total (1 to 9)	8,172	33,155	11,766	17,792
P: Preliminary. PR: Partially Revised.				

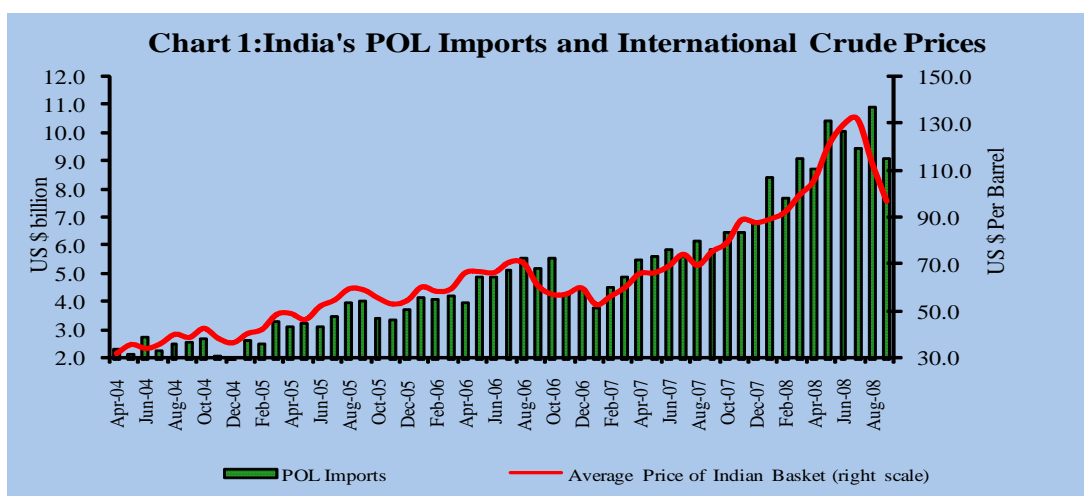
1. Balance of Payments (BoP) for April-September 2008

- (i) As alluded to earlier, taking into account the partially revised data for Q1 of 2008-09 and the preliminary data for Q2 of 2008-09, the BoP data for the first half of the financial year 2008-09 (April-September) have been compiled. While the detailed data are set out in Statements I and II in standard format of BoP presentation, the major items are presented in Table 4.

Table 4: Major Items of India's Balance of Payments: April-September 2008				
(US \$ million)				
Item	April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07(R)
1	2	3	4	5
1. Exports	96,732	72,629	166,163	128,888
2. Imports	165,913	115,856	257,789	190,670
3. Trade Balance (1-2)	-69,181	-43,227	-91,626	-61,782
4. Invisibles, net	46,849	32,250	74,592	52,217
5. Current Account Balance (3+4)	-22,332	-10,977	-17,034	-9,565
6. Capital Account*	19,833	51,413	109,198	46,171
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	2,499	-40,436	-92,164	-36,606
*: Including errors and omissions. #: On BoP basis excluding valuation. P: Preliminary. PR: Partially Revised. R: Revised.				

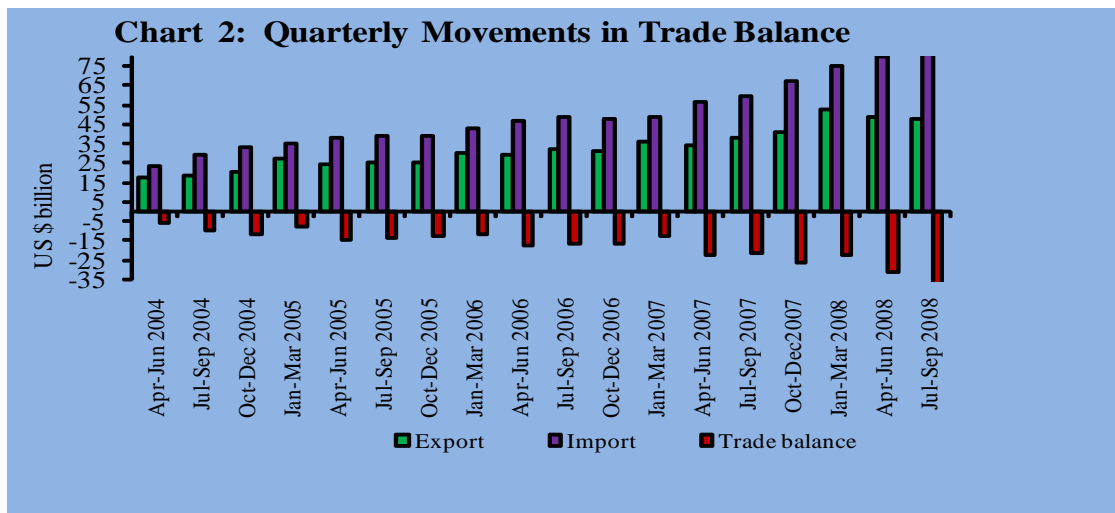
Merchandise Trade

- (i) On a BoP basis, India's merchandise exports posted a growth of 33.2 per cent in April-September 2008 (16.5 per cent in the corresponding period of the previous year).
- (ii) According to the commodity-wise data available for April-July 2008 from the Directorate General of Commercial Intelligence and Statistics (DGCI&S), exports of agricultural and allied products, textile products, ores and minerals, engineering goods, petroleum products showed higher growth.
- (iii) Import payments, on a BoP basis, increased substantially and recorded a growth of 43.2 per cent during April-September 2008 as compared with 21.5 per cent in the corresponding period of the previous year.
- (iv) According to the DGCI&S data, while oil imports recorded a significant growth of 59.2 per cent in April-September 2008 (17.1 per cent in the corresponding period of the previous year), non-oil imports showed a relatively modest growth of 29.4 per cent (33.2 per cent in the corresponding period of the previous year). In absolute terms, the oil imports accounted for about 35.6 per cent of total imports during April-September 2008 (31.0 per cent in the corresponding period of the previous year).
- (v) According to the DGCI&S data, out of total increase in imports of US \$ 43.1 billion in April-September 2008 over the corresponding period of the previous year, oil imports contributed an increase of US \$ 20.5 billion (47.5 per cent as against 20.9 per cent in April-September 2007), while non-oil imports contributed an increase of US \$ 22.6 billion (52.5 per cent as against 79.1 per cent in April-September 2007).
- (vi) According to the commodity-wise DGCI&S data available for April-July 2008, the items under the non oil imports which showed higher growth were fertilizers, capital goods and chemicals, while imports of items like edible oil, pulses, and pearls and semi-precious stones declined.
- (vii) 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 an average of US \$ 116.5 per barrel in April-September 2008 from an average of US \$ 69.3 per barrel in the corresponding period of the previous year (Chart 1).



Trade Deficit

- (i) On a BoP basis, the merchandise trade deficit widened to US \$ 69.2 billion during April-September 2008 from US \$ 43.2 billion in April-September 2007 on account of significant growth in imports (Chart 2).



Invisibles

Invisible Receipts

- (i) Invisible receipts, comprising services, current transfers and income, rose by 29.8 per cent in April-September 2008 (28.3 per cent in the corresponding period of the previous year) mainly due to increase in receipts under private transfers along with the steady growth in software services exports, business services, travel and transportation (Table 5 and Chart 3).

Table 5: Invisible Gross Receipts and Payments

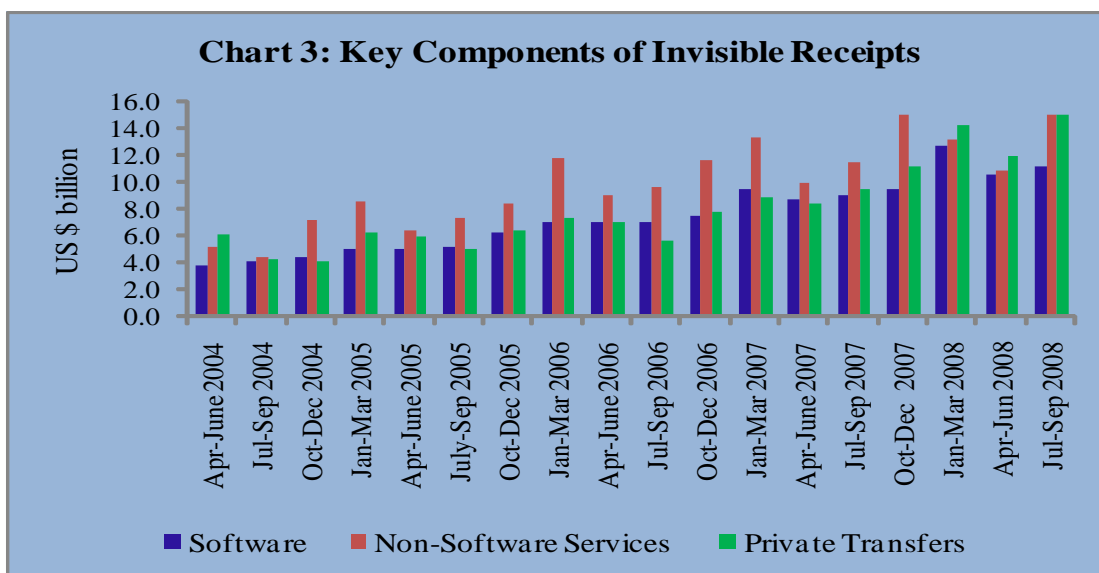
(US \$ million)

Item	Invisible Receipts				Invisible Payments			
	April-September		April-March		April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)
1	2	3	4	5	6	7	8	9
1.Travel	5,290	4,336	11,349	9,123	4,833	3,953	9,254	6,684
2.Transportation	5,571	4,044	10,014	7,974	7,072	5,085	11,514	8,068
3.Insurance	720	714	1,639	1,195	534	469	1,044	642
4.Govt. not included Elsewhere	211	162	330	253	205	238	376	403
5.Transfers	27,246	18,336	44,259	31,470	1,503	840	2,315	1,391
6.Income	7,718	6,080	14,268	9,308	9,488	9,298	19,185	16,639
<i>Investment Income</i>	7,273	5,887	13,808	8,926	8,841	8,802	18,089	15,688
<i>Compensation of Employees</i>	445	193	460	382	647	496	1,096	951
7.Miscellaneous Of Which:	36,154	30,221	66,745	55,235	12,426	11,760	30,324	28,514
<i>Software</i>	21,876	17,886	40,300	31,300	1,781	1,480	3,058	2,267
<i>Non-Software</i>	14,278	12,335	26,445	23,935	10,645	10,280	27,266	26,247

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

Note: Details of Non-software services under miscellaneous (Item 7) are given in Table 8.

- (ii) Private transfers 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.
- (iii) Private transfer receipts, comprising mainly remittances from Indians working overseas, increased to US \$ 27.0 billion in April-September 2008 as compared to US \$ 18.0 billion in the corresponding period of the previous year. Private transfer receipts constituted 15.1 per cent of current receipts in April-September 2008 (13.2 per cent in the corresponding period of the previous year).



- (iv) 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*. Such local withdrawals/redemptions from NRI deposits cease to exist as liability in the capital account of the balance of payments and assume the form of private transfers, which is included in the current account of balance of payments.
- (v) Under the NRI deposits, both inflows as well as outflows remained steady in the recent past. 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. During April-September 2008, the share of local withdrawals in total outflows from NRI deposits was 65.4 per cent as compared with 64.1 per cent in April-September 2007 (Table 6).

Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2006-07 (R)	19,914	15,593	13,208
2007-08 (PR)	29,401	29,222	18,919
April-September 2007 (PR)	12,227	12,305	7,891
April-September 2008 (P)	18,237	17,164	11,217

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

- (vi) Under Private transfer, the inward remittances for family maintenance accounted for about 52.8 per cent of the total private transfer receipts, while local withdrawals accounted for about 41.5 per cent in April-September 2008 as against 50.2 per cent and 43.8 per cent, respectively, in April-September 2007 (Table 7).

Table 7: Details of Private Transfers to India					
(US \$ million)					
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
1	2	3	4	5	6
2006-07 (R)	30,835	14,740	47.8	13,208	42.8
2007-08 (PR)	43,506	21,920	50.4	18,919	43.5
April-September 2007 (PR)	18,025	9,054	50.2	7,891	43.8
April-September 2008 (P)	27,042	14,288	52.8	11,217	41.5

P: Preliminary. PR: Partially Revised .

- (vii) Software receipts at US \$ 21.9 billion in April-September 2008 showed a lower growth of 22.3 per cent than that of 26.3 per cent in April-September 2007.
- (viii) Miscellaneous receipts, excluding software exports, stood at US \$ 14.3 billion in April-September 2008 (US \$ 12.3 billion in April-September 2007). The break-up of these data is presented in Table 8.

Table 8: Break-up of Non-Software Miscellaneous Receipts and Payments								
(US \$ million)								
Item	Receipts				Payments			
	April-September		April-March		April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)
1	2	3	4	5	6	7	8	9
1.Communication Services	1,250	1,126	2,408	2,262	522	411	859	796
2.Construction	371	256	763	700	344	328	758	737
3.Financial	1,763	1,444	3,217	3,106	1,593	1,151	3,138	2,991
4.News Agency	397	306	503	334	165	211	326	226
5.Royalties, Copyrights & License Fees	70	69	157	97	804	459	1,088	1,030
6.Business Services	8,702	7,652	16,771	14,544	6,629	6,700	16,715	15,866
7.Personal, Cultural, Recreational	297	196	562	243	158	88	199	117
8.Others	1,428	1,286	2,064	2,649	430	932	4,183	4,484
Total (1 to 8)	14,278	12,335	26,445	23,935	10,645	10,280	27,266	26,247

P: Preliminary. PR: Partially Revised. R: Revised. Note: Details of Business Services (item 6) are given in Table 9.

- (ix) 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. These reflect the underlying momentum in trade of professional and technology related services (Table 9).
- (x) Investment income receipts amounted to US \$ 7.3 billion in April-September 2008 as compared with US \$ 5.9 billion in April-September 2007.

Table 9: Details of Business Services								
(US \$ million)								
Item	Receipts				Payments			
	April-September		April-March		April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	006-07 (R)	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)
1	2	3	4	5	6	7	8	9
1. Trade Related	1,154	890	2,233	1,325	826	1,004	2,285	1,801
2. Business & Management Consultancy	2,662	2,166	4,433	4,476	1,084	1,541	3,653	3,486
3. Architectural, Engineering and other Technical	1,071	1,763	3,144	3,457	1,380	1,160	3,173	3,025
4. Maintenance of offices	1,266	1,239	2,861	2,638	951	940	2,702	3,046
5. Others	2,549	1,594	4,100	2,648	2,388	2,055	4,902	4,508
Total (1 to 5)	8,702	7,652	16,771	14,544	6,629	6,700	16,715	15,866
R: Revised. P: Preliminary PR: Partially Revised.								

Invisible Payments

- (i) Invisible payments showed an increase of 14.0 per cent in April-September 2008 (17.1 per cent in April-September 2007). The invisible payments mainly reflected the movement in payments relating to those of travel payments, transportation, business and management consultancy, engineering and other technical services, dividends, profit and interest payments. The moderation in growth rate of invisible payments during April-September 2008 was mainly due to moderate payments relating to a number of business and professional services.
- (ii) Higher transportation payments in April-September of 2008 (39.1 per cent) mainly reflected the pace of rising volume of imports. In addition, higher payments may also be attributed to the rising freight rates on international shipping due to surge in international crude oil prices.
- (iii) 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 \$ 8.8 billion in April-September 2008, almost same as in the corresponding period of the previous year (Table 10).

Table 10: Details of Receipts and Payments of Investment Income

(US \$ million)				
Item	April-September		April-March	
	2008-09 P	2007-08 PR	2007-08 PR	2006-07 R
1	2	3	4	5
A. Receipts	7,273	5,887	13,808	8,926
<i>Of which:</i>				
1. Reinvested Earnings on Indian Investment Abroad	542	542	1,084	1,076
2. Interest/discount Earnings on Foreign exchange reserves	5,849	4,369	10,124	6,641
B. Payments	8,841	8,802	18,089	15,688
<i>Of which:</i>				
1. Interest Payment on NRI deposits	732	1,007	1,813	1,969
2. Interest Payment on ECBs	1,412	1,297	2,655	1,709
3. Interest Payments on External Assistance	504	535	1,143	982
4. Dividends and Profits	2,272	1,612	3,576	3,486
5. Reinvested Earnings of FDI companies in India	3,004	3,584	7,167	5,828
C. Net Investment Income (A-B)	-1,568	-2,915	-4,281	-6,762

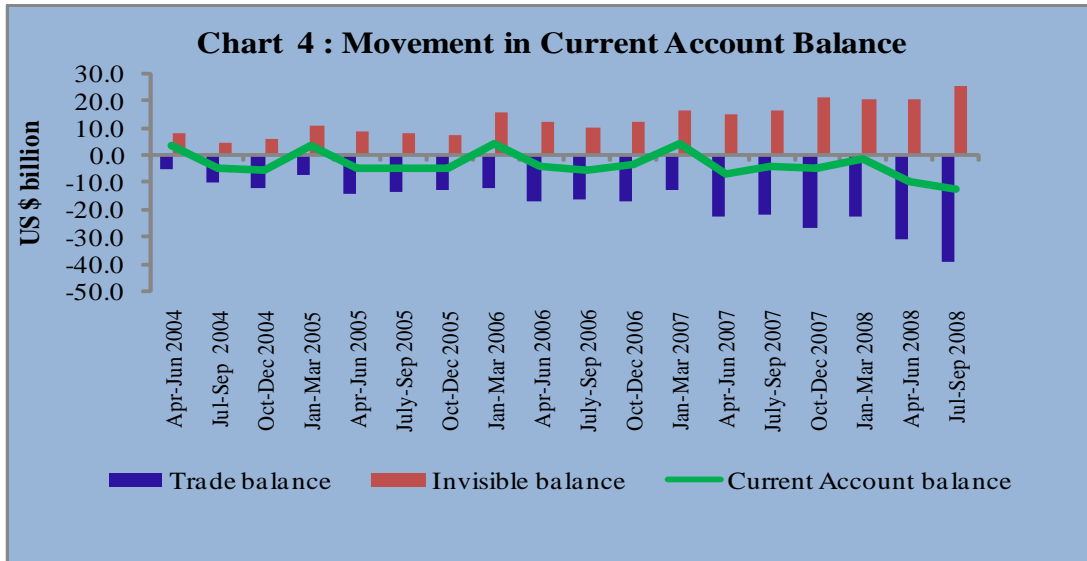
P: Preliminary. PR: Partially Revised. R: Revised.

Invisibles Balance

- (i) Net invisibles (invisibles receipts minus invisibles payments) stood at US \$ 46.8 billion during April-September of 2008 (US \$ 32.3 billion during April-September 2007) mainly led by higher growth in private transfers and steady growth in software exports. At this level, the invisible surplus financed about 67.7 per cent of trade deficit during April-September 2008 as against 74.6 per cent during April-September 2007.

Current Account Deficit

- (i) Despite higher net invisible surplus, the widening trade deficit mainly due to higher imports led to higher current account deficit at US \$ 22.3 billion in April-September 2008 (US \$ 11.0 billion in April-September 2007 (Chart 4).



Capital Account

- (i) The gross capital inflows to India during April-September 2008 amounted to US \$ 176.3 billion (US \$ 164.5 billion in April-September 2007) as against an outflow of US \$ 156.4 billion (US \$ 113.6 billion in April-September 2007) (Table 11).
- (ii) Net capital flows, however, at US \$ 19.9 billion in April-September 2008 remained much lower as compared with US \$ 50.9 billion in April-September 2007. Under net capital flows, all the components except FDI and NRI deposits, showed decline during April-September 2008 from their level in the corresponding period of the previous year (Table 12).
- (iii) Foreign direct investments (FDI) broadly comprise equity, reinvested earnings and inter-corporate loans. Net inward FDI into India remained buoyant at US \$ 20.7 billion during April-September 2008 (US \$ 12.2 billion in April-September 2007) reflecting the continuing pace of expansion of domestic activities, positive investment climate and continuing liberalization measures to attract FDI. FDI was channeled mainly into manufacturing (20.8 per cent) followed by construction sector (13.6 per cent) and financial services (12.6 per cent). Net outward FDI of India moderated to US \$ 6.1 billion in April-September 2008 (US \$ 7.3 billion in April-September 2007) reflecting the slowdown in global business activities. Due to large inward FDI, the net FDI (inward FDI minus outward FDI) was higher at US \$ 14.6 billion in April-September 2008 as against US \$ 4.9 billion in April-September 2007.

Table 11: Gross Capital Inflows and Outflows

(US \$ million)

Item	Gross Inflows				Gross Outflows			
	April-September		April-March		April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)
1	2	3	4	5	6	7	8	9
1. Foreign Direct Investment	21,408	13,772	36,838	23,590	6,851	8,908	21,437	15,897
2. Portfolio Investment	83,395	83,467	235,924	109,620	88,916	65,026	206,368	102,560
3. External Assistance	2,004	1,715	4,241	3,767	1,135	1,006	2,127	1,992
4. External Commercial Borrowings	6,593	14,581	30,376	20,883	3,252	3,418	7,743	4,780
5. NRI Deposits	18,237	12,227	29,401	19,914	17,164	12,305	29,222	15,593
6. Banking Capital excluding Non Resident Deposits	19,930	10,047	26,412	17,295	16,176	4,245	14,834	19,703
7. Short-term Trade Credits	21,785	20,195	48,911	29,992	18,612	13,606	31,728	23,380
8. Rupee Debt Service	0	0	0	0	33	45	121	162
9. Other Capital	2,987	8,529	20,904	8,230	4,262	5,027	11,434	4,021
Total (1 to 9)	176,339	164,533	433,007	233,291	156,401	113,586	325,014	188,088

R: Revised

P: Preliminary

PR: Partially Revised.

- (iv) Portfolio investment mainly comprising of foreign institutional investors (FIIs) investments and American depository receipts (ADRs)/global depository receipts (GDRs) witnessed large net outflows (US \$ 5.5 billion) in April-September 2008 (net inflows of US \$ 18.4 billion in April-September 2007) due to large sales of equities by FIIs in the Indian stock market reflecting bearish condition in stock market and slowdown in the global economy. The inflows under ADRs/ GDRs slowed down to US \$ 1.1 billion in April-September 2008 (US \$ 2.8 billion in April-September 2007).

Table 12: Net Capital Flows

(US \$ million)

Item	April-September		April-March	
	2008-09P	2007-08PR	2007-08PR	2006-07R
1	2	3	4	5
1. Foreign Direct Investment	14,557	4,864	15,401	7,693
2. Portfolio Investment	-5,521	18,441	29,556	7,060
<i>Of which:</i>				
FIIs	-6,615	15,508	20,328	3,225
ADR/GDRs	1,135	2,793	8,769	3,776
3. External Assistance	869	709	2,114	1,775
4. External Commercial Borrowings	3,341	11,163	22,633	16,103
5. NRI Deposits	1,073	-78	179	4,321
6. Banking Capital excluding NRI Deposits	3,754	5,802	11,578	-2,408
7. Short-term Trade Credits	3,173	6,589	17,183	6,612
8. Rupee Debt Service	-33	-45	-121	-162
9. Other Capital	-1,275	3,502	9,470	4,209
Total (1 to 9)	19,938	50,947	107,993	45,203

Note: Details of Other Capital (Item 9) are given in Table 13.

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

- (v) Net external commercial borrowings (ECBs) inflow slowed down to US \$ 3.3 billion in April-September 2008 (US \$ 11.2 billion in April-September 2007). Net ECB inflows were low at 16.8 per cent of net capital flows during April-September 2008 as against 21.9 per cent of net capital flows in April-September 2007.
- (vi) Banking capital (net) amounted to US \$ 4.8 billion in April-September 2008 as compared with US \$ 5.7 billion in April-September 2007. Among the components of banking capital, Non-Resident Indian (NRI) deposits witnessed a net inflow of US \$ 1.1 billion in April-September 2008, a turnaround from net outflow of US \$ 78 million in April-September 2007.
- (vii) Gross disbursement of short term trade credit stood at US \$ 21.8 billion during April-September 2008 (US \$ 20.2 billion in April-September 2007). Net short term trade credit stood at US \$ 3.2 billion (inclusive of suppliers' credit up to 180 days) during April-September 2008 as compared with US \$ 6.6 billion during the same period of the previous year.
- (viii) Other capital includes leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI and other capital not included elsewhere (n.i.e). Other capital recorded net outflows of US \$ 1.3 billion in April-September 2008. The details of other capital are set out in Table 13.

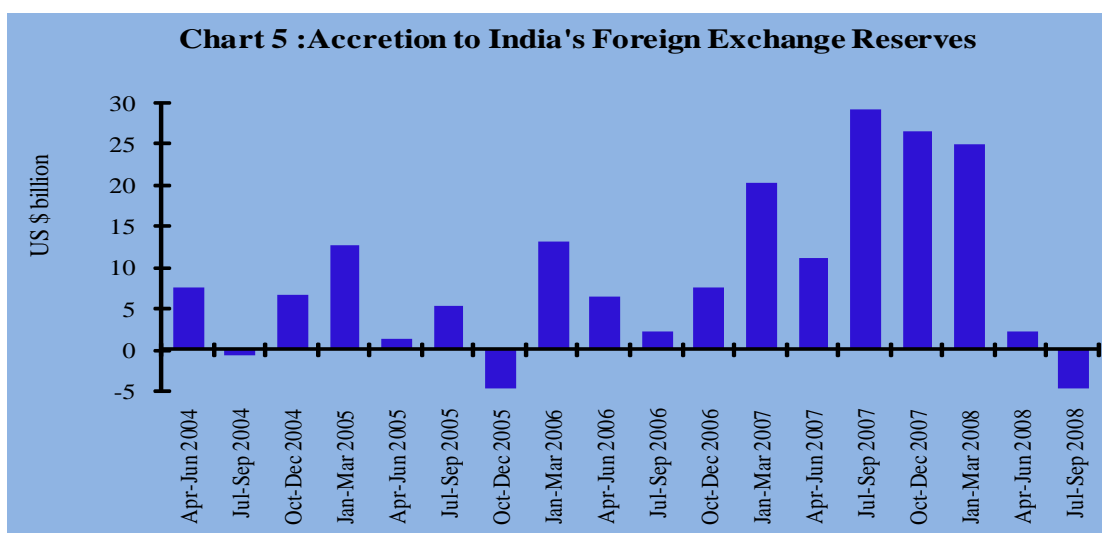
Table 13: Details of 'Other Capital' (Net)				
(US \$ million)				
Item	April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)
1	2	3	4	5
1. Lead and Lags in Exports	1,799	1,049	983	217
2. Net Funds Held Abroad	-1887	-443	-5,487	619
3. Advances Received Pending Issue of Shares under FDI	-	2,010	8,700	-
4. Other capital not included elsewhere (<i>n.i.e</i>) (<i>Inclusive of derivatives and hedging, migrant transfers and other capital transfers</i>)	-1,187	886	5,274	3,373
Total (1 to 4)	-1,275	3,502	9470	4209

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

Reserves Accretion

- (i) The decline in foreign exchange reserves on BoP basis (*i.e.*, excluding valuation) was US \$ 2.5 billion in April-September 2008 (as against accretion to reserves of US \$ 40.4 billion in April-September 2007) (Table 14 & Chart 5). Taking into account the valuation loss, foreign exchange reserves recorded a decline of US \$ 23.4 billion in April-September 2008 (as against an accretion to reserves of US \$ 48.6 billion in April-September 2007). [A Press Release on the sources of accretion to foreign exchange reserves is separately issued].
- (ii) At the end of September 2008, outstanding foreign exchange reserves stood at US \$ 286.3 billion.

Table 14: Sources of Variation to Reserves (BoP Basis) in April-September 2008				
(US \$ million)				
Item	April-September		April-March	
	2008-09 (P)	2007-08 (PR)	2007-08 (PR)	2006-07 (R)
1	2	3	4	5
A. Current Account Balance	-22,332	-10,977	-17,034	-9,565
B. Capital Account*	19,833	51,413	109,198	46,171
<i>Of Which</i>				
Foreign Direct Investment	14,557	4,864	15,401	7,693
Portfolio Investment	-5,521	18,441	29,556	7,060
External Commercial Borrowings	3,341	11,163	22,633	16,103
Banking Capital	4,827	5,724	11,757	1,913
Short Term Trade Credits	3,173	6,589	17,183	6,612
D. Change in Reserves: (-) indicates increase; (+) indicates decrease)#	2,499	-40,436	-92,164	-36,606
*: Including errors and omissions #: On BoP basis excluding valuation. P: Preliminary. PR: Partially Revised. R: Revised				



- (iii) To sum up, the key features of India's BoP that emerged in April-September 2008 were: (i) widening trade deficit (US \$ 69.2 billion) led by high imports, (ii) significant increase in invisible surplus (US \$ 46.8 billion) led by remittances from overseas Indians and software services exports, (iii) higher current account deficit (US \$ 22.3 billion) due to high trade deficit, (iv) volatile and relatively lower net capital inflows (US \$ 19.9 billion) than April-September 2007 (US \$ 50.9 billion), and (v) decline in reserves (excluding valuation) of US \$ 2.5 billion (as against an accretion to reserves of US \$ 40.4 billion in April-September 2007). The details of key indicators are set out in Table 15.

Table 15: Key Indicators of India's Balance of Payments				
Item	April-September		April-March	
	2008-09	2007-08	2007-08	2006-07
1	2	3	4	5
Merchandise Trade				
1. Exports (US \$ on BoP basis) Growth Rate (%)	33.2	16.5	28.9	22.6
2. Imports (US \$ on BoP basis) Growth Rate (%)	43.2	21.5	35.2	21.4
3. Crude Oil Prices, Per Barrel (Indian Basket)	116.5	69.3	79.5	62.4
4. Trade Balance (US \$ billion)	-69.2	-43.2	-91.6	-61.8
Invisibles				
5. Net Invisibles (US \$ billion)	46.8	32.3	74.6	52.2
6. Net Invisibles Surplus / Trade Deficit (%)	-67.7	-74.6	-81.4	-84.5
7. Invisibles Receipts /Current Receipts (%)	46.2	46.8	47.2	47.1
8. Services Receipts / Current Receipts (%)	26.7	28.9	28.6	30.3
9. Private Transfers /Current Receipts (%)	15.1	13.2	13.8	12.7
Current Account				
10. Current Receipts (US \$ billion)	179.6	136.5	314.8	243.4
11. Current Payments (US \$ billion)	202.0	147.5	331.8	253.0
12. Current Account Balance (US \$ billion)	-22.3	-11.0	-17.0	-9.6
Capital Account				
13. Gross Capital Inflows (US \$ billion)	176.3	164.5	433.0	233.3
14. Gross Capital Outflows (US \$ billion)	156.4	113.6	325.0	188.1
15. Net Capital Flows (US \$ billion)	19.9	50.9	108.0	45.2
16. Net FDI / Net Capital Flows (%)	73.0	9.5	14.3	17.0
17. Net Portfolio Investment / Net Capital Flows (%)	-27.7	36.2	27.4	15.6
18. Net ECBs / Net Capital Flows (%)	16.8	21.9	21.0	35.6
Reserves				
19. Import Cover of Reserves (in months)	11.2	14.1	14.4	12.5
20. Outstanding Reserves as at end period (US \$ billion)	286.3	247.8	309.7	199.2

3. Reconciliation of Import Data

- (i) During April-September 2008, 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 about US \$ 11.1 billion (Table 16).

Table 16 : DGCI&S and the BoP Import Data

(US \$ million)				
Item	April-September		April-March	
	2008-09	2007-08	2007-08	2006-07
1	2	3	4	5
1. BoP Imports	1,65,913	1,15,856	2,57,789	1,90,670
2. DGCI&S Imports	1,54,785	1,11,646	2,51,439	1,85,749
3. Difference (1-2)	11,128	4,210	6,350	4,921

4. Revisions in the BoP Data for 2006-07, 2007-08 and first quarter of 2008-09

- (i) According to the Revision Policy announced on September 30, 2004, the data for 2006-07, 2007-08 and the first quarter of 2008-09 have been revised based on latest information reported by various reporting entities. As per the revised data the current account deficit for 2006-07 and 2007-08 stood at US \$ 9.6 billion (1.1 per cent of GDP) and US \$ 17.0 billion (1.5 per cent of GDP), respectively. The revised data are presented in the standard format of BoP presentation in Statement II.

5. External Debt for the Quarter ending September 2008

- (i) 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 September 2008 are being released by the Ministry of Finance, Government of India. The same could be accessed at <http://finmin.nic.in>.

Alpana Killawala
Chief General Manager

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