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September 30, 2009

## India's Balance of Payments Developments during the First Quarter (April-June 2009) of 2009-10

Preliminary data on India's balance of payments (BoP) for the first quarter (Q1) *i.e.*, April-June 2009 of the financial year 2009-10, are now available. The full details of these data are set out in the standard format of BoP presentation in [Statements I](#) and [II](#).

### Major Highlights of BoP

- (i) The decline in exports which started since October 2008 continued during the first quarter of 2009-10. Import payments, on a BoP basis, also continued its declining trend mainly due to lower oil import bill.
- (ii) Private transfer receipts remained buoyant and increased by 9.4 per cent to US\$ 13.3 billion during Q1 of 2009-10. Exports of software services, however, declined during Q1 of 2009-10.
- (iii) Despite net invisibles surplus at US\$ 20.2 billion, the large trade deficit (US\$ 26.0 billion) mainly on account of sharp decline in exports led to a current account deficit of US\$ 5.8 billion in Q1 of 2009-10 (US\$ 9.0 billion during Q1 of 2008-09).
- (iv) With the revival in capital inflows to India, particularly foreign investments, the capital account showed a turnaround from a negative balance in last two quarters of 2008-09 to a positive balance of US\$ 6.7 billion during Q1 of 2009-10.
- (v) Portfolio investment witnessed a sharp turnaround from net outflows of US\$ 2.7 billion in Q4 of 2008-09 to net inflows of US\$ 8.3 billion during Q1 of 2009-10.
- (vi) NRI deposits also witnessed higher inflows reflecting the positive impact of the revisions in the ceiling interest rate on NRI deposits.
- (vii) There was a marginal increase in reserves on BoP basis (*i.e.*, excluding valuation) during Q1 of 2009-10. However, the foreign exchange reserves including valuation increased by US\$ 13.2 billion during Q1 of 2009-10 implying that the increase in reserves during this period was mainly due to valuation gains as the US dollar has depreciated against major currencies.

## 1. Balance of Payments for April-June (Q1) of 2009-10

The major items of the BoP for the first quarter (Q1) of 2009-10 are set out below in Table 1.

Table 1: Major Items of India's Balance of Payments				
(US\$ million)				
Item	April-March		April-June	
	2007-08 (PR)	2008-09 (P)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5
1. Exports	166,163	175,184	49,120	38,789
2. Imports	257,789	294,587	80,545	64,775
3. Trade Balance (1-2)	-91,626	-119,403	-31,425	-25,986
4. Invisibles, net	74,592	89,587	22,406	20,179
5. Current Account Balance (3+4)	-17,034	-29,817	-9,019	-5,808
6. Capital Account Balance*	109,198	9,737	11,254	5,923
7. Change in Reserves# (-Indicates increase; + indicates decrease)	-92,164	20,080	-2,235	-115
*: Including errors and omissions. #: On BoP basis (i.e. excluding valuation). P: Preliminary. PR: Partially Revised.				

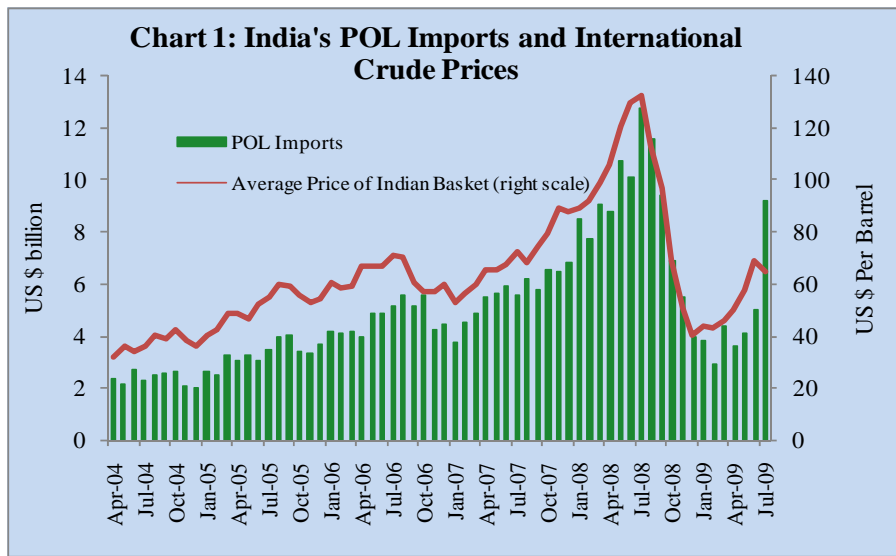
### Merchandise Trade

#### Exports

- (i) The decline in exports which started since October 2008 continued during the first quarter of 2009-10. On a BoP basis, India's merchandise exports recorded a decline of 21.0 per cent in Q1 of 2009-10 as against an increase of 43.0 per cent in Q1 of 2008-09.
- (ii) As per the data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), merchandise exports declined by 26.4 per cent in Q1 of 2009-10 as against a higher growth of 37.4 per cent in Q1 of 2008-09, reflecting fall in demand worldwide due to the global economic crisis.

#### Imports

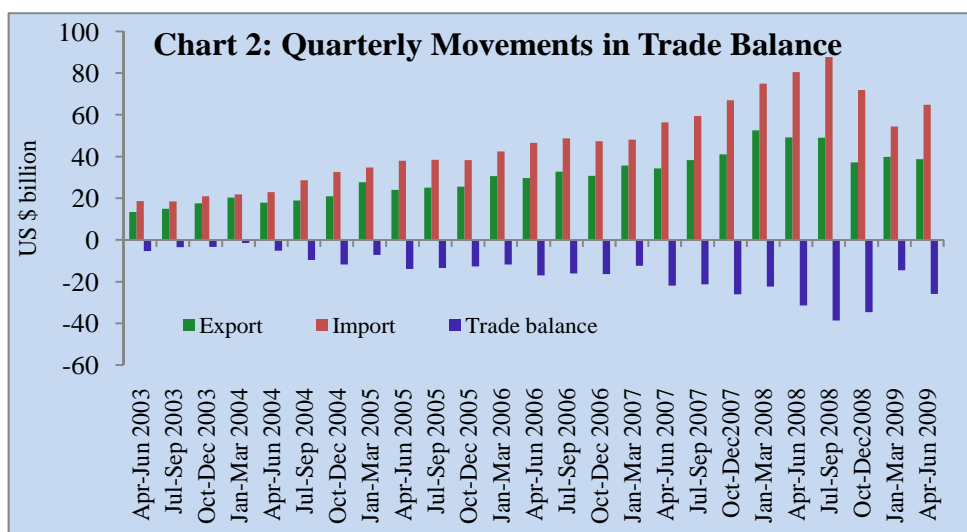
- (i) Import payments, on a BoP basis, also continued its declining trend. Imports declined by 19.6 per cent in Q1 of 2009-10 as against a positive growth of 42.9 per cent in Q1 of 2008-09.
- (ii) According to the data released by the DGCI&S, the decline in imports is mainly attributed to the sharp fall in oil import payments due to lower crude oil prices during Q1 of 2009-10 (US\$ 63.9 per barrel in Q1 of 2009-10 as against US\$ 119 per barrel in Q1 of 2008-09). POL imports recorded a sharp decline of 56.9 per cent during Q1 of 2009-10 as against a sharp increase of 74.2 per cent during Q1 of 2008-09. As per the data released by the Ministry of Petroleum & Natural Gas, Government of India, POL imports showed a decline of 45.1 per cent during Q1 of 2009-10 despite a quantity growth of 10 per cent mainly due to lower crude oil price (Chart 1).



- (iii) According to the DGCI&S data, out of the total decline in imports of US\$ 26.7 billion in Q1 of 2009-10 over the corresponding previous quarter, oil imports declined by US\$ 16.8 billion (share of 63.1 per cent in the decline in total imports during Q1 of 2009-10 as against 59.8 per cent share in total increase in imports during Q1 of 2008-09), while non-oil imports decreased by US\$ 9.8 billion (share of 36.9 per cent in the decline in total imports during Q1 of 2009-10 as against 40.2 per cent share in total increase in imports during Q1 of 2008-09).

### Trade Balance

- (i) On a BoP basis, the decline in the pace of exports was higher than that of imports during Q1 of 2009-10 which led to a large trade deficit (Chart 2). The trade deficit on a BoP basis in Q1 of 2009-10 (US\$ 26.0 billion) was, however, less than that in Q1 of 2008-09 (US\$ 31.4 billion).



<b>Table 2: Invisibles Gross Receipts and Payments</b>						
<b>(US\$ million)</b>						
Item	Invisibles Receipts			Invisibles Payments		
	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	2	3	4	5	6	7
<b>A. Services (1 to 5)</b>	<b>101,224</b>	<b>23,059</b>	<b>22,389</b>	<b>51,406</b>	<b>11,441</b>	<b>13,351</b>
1.Travel	10,894	2,504	2,286	9,432	2,164	2,004
2.Transportation	11,066	2,611	2,490	12,777	3,328	2,777
3.Insurance	1,409	350	387	1,131	228	314
4. G.N.I.E.	389	130	100	791	110	103
5. Miscellaneous	77,466	17,464	17,127	27,275	5,611	8,153
<i>Of Which:</i>						
<i>Software</i>	47,000	12,156	10,764	2,814	857	391
<i>Non-Software</i>	30,466	5,308	6,362	24,461	4,754	7,762
<b>B. Transfers</b>	<b>47,025</b>	<b>12,307</b>	<b>13,344</b>	<b>2,746</b>	<b>654</b>	<b>466</b>
<i>Private</i>	46,380	12,159	13,298	2,333	547	360
<i>Official</i>	645	148	46	413	107	107
<b>C. Income</b>	<b>14,307</b>	<b>3,573</b>	<b>2,951</b>	<b>18,818</b>	<b>4,438</b>	<b>4,688</b>
<i>Investment Income</i>	13,482	3,418	2,723	17,499	4,108	4,350
<i>Compensation of Employees</i>	825	155	227	1,319	330	338
<b>Invisibles (A+B+C)</b>	<b>162,556</b>	<b>38,939</b>	<b>38,684</b>	<b>72,970</b>	<b>16,533</b>	<b>18,505</b>
G.N.I.E: Government not included elsewhere. P: Preliminary. PR: Partially Revised.						

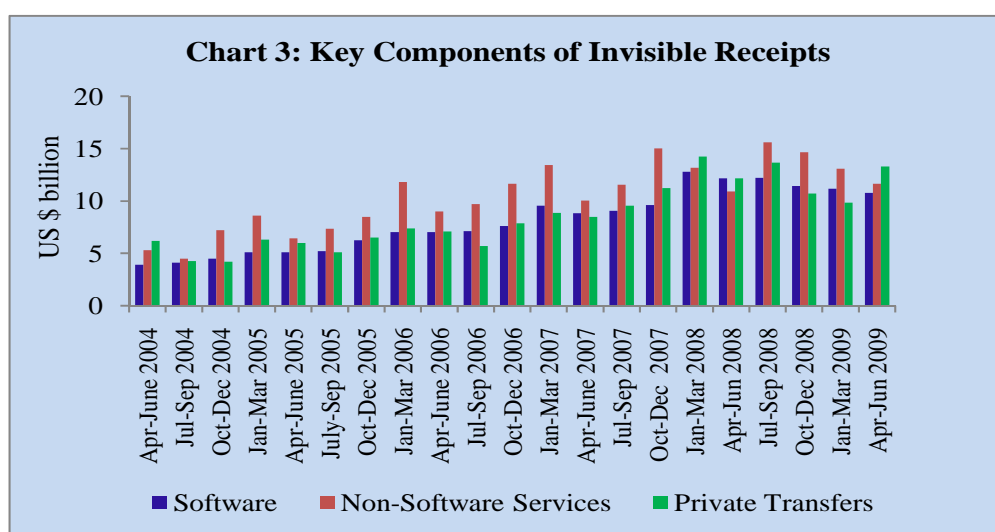
## Invisibles

- (i) During Q1 of 2009-10, invisibles receipts declined marginally, while invisibles payments recorded a positive growth (Table 2). In net terms, the invisibles balance at US\$ 20.2 billion was lower than that in the corresponding period of the previous year (US\$ 22.4 billion), though higher than that in Q4 of 2008-09 (US\$ 19.3 billion) (Table 3).

### *Invisibles Receipts*

- (i) Invisibles receipts registered a marginal decline of 0.7 per cent in Q1 of 2009-10 (as against a higher growth of 30.3 per cent in Q1 of 2008-09) on account of a decline in almost all categories of services except insurance and financial services and a decline of 20.3 per cent in investment income receipts.
- (ii) Exports of software services declined by 11.5 per cent during Q1 of 2009-10 as against an increase of 37.6 per cent in Q1 of 2008-09 (Chart 3). According to the NASSCOM, software services exports are projected to grow by 4 to 7 per cent to US\$ 48 to 50 billion during the financial year 2009-10.
- (iii) Travel receipts at US\$ 2.3 billion during Q1 of 2009-10 declined by 8.7 per cent as against an increase of 19.9 per cent in Q1 of 2008-09 reflecting a slowdown in tourist arrivals in the country since November 2008. According to the data released by the Ministry of Tourism, foreign tourist arrivals declined by 1.8 per cent in Q1 of 2009-10.

Table 3: Net Invisibles				
(US\$ million)				
Item	April-March		April-June	
	2007-08 (PR)	2008-09 (P)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5
<b>A. Services (1 to 5)</b>	<b>37,565</b>	<b>49,818</b>	<b>11,618</b>	<b>9,038</b>
1.Travel	2,095	1,462	340	282
2.Transportation	-1,500	-1,711	-717	-287
3.Insurance	595	278	122	73
4. Govt. not included elsewhere	-46	-402	20	-3
5. Miscellaneous	36,421	50,191	11,853	8,973
<i>Of Which:</i>				
<i>Software</i>	37,242	44,186	11,299	10,373
<i>Non-Software</i>	-821	6,005	554	-1,400
<b>B. Transfers</b>	<b>41,944</b>	<b>44,279</b>	<b>11,653</b>	<b>12,878</b>
<i>Private</i>	41,705	44,047	11,612	12,939
<i>Official</i>	239	232	41	-61
<b>C. Income</b>	<b>-4,917</b>	<b>-4,511</b>	<b>-865</b>	<b>-1,737</b>
<i>Investment Income</i>	-4,281	-4,017	-690	-1,627
<i>Compensation of Employees</i>	-636	-494	-175	-110
<b>Invisibles (A+B+C)</b>	<b>74,592</b>	<b>89,586</b>	<b>22,406</b>	<b>20,179</b>
G.N.I.E: Government not included elsewhere. P: Preliminary. PR: Partially Revised.				



- (iv) Private transfers are in the form of (i) Inward remittances from Indian workers abroad for family maintenance, (ii) Local withdrawals from NRI Rupee deposits, (iii) Gold and silver brought through passenger baggage, and (iv) Personal gifts/donations to charitable/religious institutions.
- (v) Private transfer receipts, comprising mainly remittances from Indians working overseas and local withdrawals from NRI Rupee deposits, remained buoyant and increased by 9.4 per cent to US\$ 13.3 billion during Q1 of 2009-10 from US\$ 12.2 billion in Q1 of 2008-09. Private transfer receipts constituted 17.2 per cent of current receipts in Q1 of 2009-10 (13.8 per cent in Q1 of 2008-09).
- (vi) 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.

- (vii) Under the NRI deposits, both inflows as well as outflows remained large 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 utilized domestically. During Q1 of 2009-10, the share of local withdrawals in total outflows from NRI deposits declined marginally to 59.5 per cent from 62.5 per cent in Q1 of 2008-09 (Table 4).

<b>Table 4: Inflows and Outflows from NRI Deposits and Local Withdrawals</b> (US\$ million)			
Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2006-07	19,914	15,593	13,208
2007-08 (PR)	29,401	29,222	18,919
2008-09 (P)	37,089	32,799	20,617
2008-09 (Q1) (PR)	9,063	8,249	5,157
2009-10 (Q1) (P)	11,172	9,354	5,568

P: Preliminary. PR: Partially Revised.

- (viii) Under Private transfers, the inward remittances for family maintenance accounted for about 54 per cent of the total private transfer receipts, while local withdrawals accounted for about 42 per cent in Q1 of 2009-10 (Table 5).

<b>Table 5: Details of Private Transfers to India</b> (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	30,835	14,740	47.8	13,208	42.8
2007-08 (PR)	43,506	21,920	50.4	18,919	43.5
2008-09 (P)	46,380	23,148	49.9	20,617	44.5
2008-09 (Q1)	12,159	6,383	52.5	5,157	42.4
2009-10 (Q1)	13,298	7,184	54.0	5,568	41.9

P: Preliminary. PR: Partially Revised.

- (ix) Miscellaneous receipts, excluding software exports, stood at US\$ 6.4 billion in Q1 of 2009-10 (US\$ 5.3 billion in Q1 of 2008-09). The break-up of these data is presented in Table 6.

<b>Table 6: Break-up of Non-Software Receipts and Payments under Miscellaneous Services</b>						
(US\$ million)						
Item	Receipts			Payments		
	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	2	3	4	5	6	7
1.Communication Services	2,170	510	418	996	226	312
2. Construction	866	119	208	889	134	382
3. Financial Services	3,939	609	1,116	2,961	628	928
4. News Agency	799	182	127	385	64	91
5. Royalties, Copyrights	132	30	69	1,755	495	414
6. Business Services	16,251	3,550	2,586	15,269	3,133	3,645
7. Personal, Cultural, and Recreational	729	107	158	306	64	58
8. Others	5,580	201	1,678	1,900	10	1,932
<b>Total (1 to 8)</b>	<b>30,466</b>	<b>5,308</b>	<b>6,362</b>	<b>24,461</b>	<b>4,755</b>	<b>7,762</b>

P: Preliminary. PR: Partially Revised.  
Note: Details of Business Services (item 6) are given in Table 7.

- (x) The detailed receipts and payments under various components of business services, viz. trade related services, business and management consultancy services, architectural, engineering and other technical services, and services relating to maintenance of offices abroad are set out in Table 7.

<b>Table 7: Details of Business Services</b>						
(US\$ million)						
Item	Receipts			Payments		
	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	2	3	4	5	6	7
1. Trade Related	2,008	496	360	1,642	450	549
2. Business & Management Consultancy	4,847	1,147	954	3,512	498	794
3. Architectural, Engineering, and other Technical Services	1,759	430	367	3,106	553	698
4. Maintenance of Offices abroad	2,980	476	358	3,283	565	898
5. Others	4,657	1,001	547	3,726	1,067	706
<b>Total (1 to 5)</b>	<b>16,251</b>	<b>3,550</b>	<b>2,586</b>	<b>15,269</b>	<b>3,133</b>	<b>3,645</b>

P: Preliminary. PR: Partially Revised.

- (xi) Investment income receipts amounted to US\$ 2.7 billion in Q1 of 2009-10 as compared with US\$ 3.4 billion in Q1 of 2008-09 (Table 8). The decline in receipts under investment income was due to lower interest rate abroad.

<b>Table 8: Details of Receipts and Payments of Investment Income</b>				
(US\$ million)				
	2007-08 (PR)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	2	3	4	5
<b>A. Receipts</b>	<b>13,808</b>	<b>13,482</b>	<b>3,418</b>	<b>2,723</b>
<i>Of which:</i>				
1. Reinvested Earnings on Indian Investment Abroad	1,084	1,084	271	271
2. Interest/discount Earnings on Foreign exchange reserves	10,124	10,480	2,672	1,915
<b>B. Payments</b>	<b>18,089</b>	<b>17,499</b>	<b>4,108</b>	<b>4,350</b>
<i>Of which:</i>				
1. Interest Payment on NRI deposits	1,813	1,547	349	393
2. Interest Payment on ECBs	2,655	2,702	690	653
3. Interest Payments on External Assistance	1,143	1,010	266	242
4. Dividends and Profits	3,576	3,168	898	871
5. Reinvested Earnings of FDI companies in India	7,168	6,426	1,492	1,696
<b>C. Net Investment Income (A-B)</b>	<b>-4,281</b>	<b>-4,017</b>	<b>-690</b>	<b>-1,627</b>
P: Preliminary. PR: Partially Revised.				

### ***Invisibles Payments***

- (i) Invisibles payments recorded a positive growth of 11.9 per cent in Q1 of 2009-10 (13.5 per cent in Q1 of 2008-09) mainly due to growth in payments under services and income account. In the services account, however, payments under travel, transportation, G.N.I.E. and software services recorded a negative growth in Q1 of 2009-10.
- (ii) Investment income payments (include 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) increased marginally to US\$ 4.4 billion during Q1 of 2009-10 (US\$ 4.1 billion in Q1 of 2008-09) mainly due to increased reinvested earnings of FDI companies in India (Table 8).

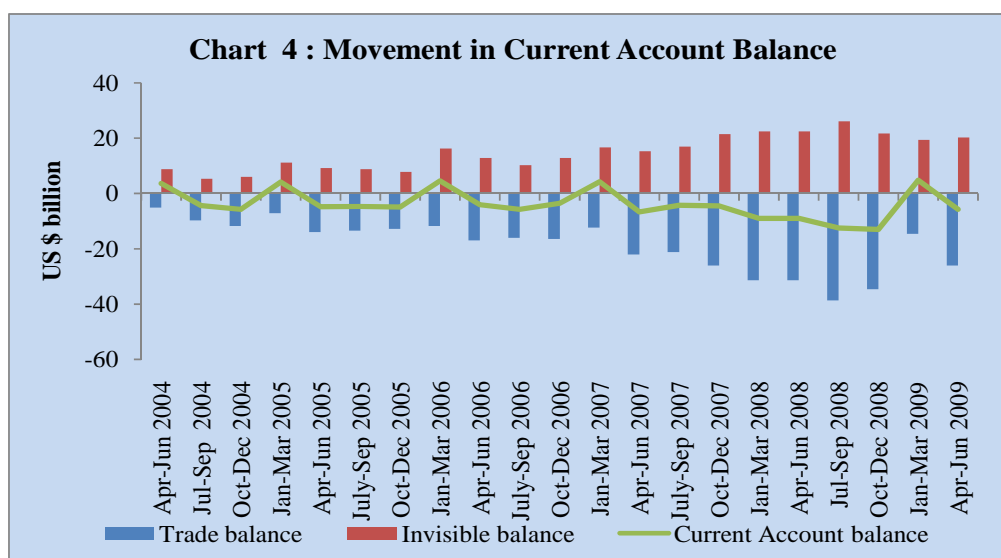
### **Invisibles Balance**

- (iii) A combined effect of decline in invisibles receipts and increase in invisibles payments led to marginally lower net invisibles (invisibles receipts *minus* invisibles payments) at US\$ 20.2 billion in Q1 of 2009-10 than that in the corresponding period of the previous year (US\$ 22.4 billion) (Table 3). At this level, however, the invisibles surplus financed about 77.7 per cent of trade deficit during Q1 of 2009-10 (71.3 per cent during Q1 of 2008-09).

### **Current Account Balance**

- (i) Despite net invisibles surplus, the large trade deficit mainly on account of sharp decline in exports led to a current account deficit of US\$ 5.8 billion in Q1 of 2009-10 (US\$ 9.0 billion during Q1 of 2008-09) (Chart 4).





### Capital Account

- (i) The gross capital inflows to India revived during Q1 of 2009-10 as compared to the last two quarters of 2008-09 manifesting confidence in India's long-term growth prospects. The gross inflows were, however, at US\$ 78.5 billion as compared to US\$ 90.9 billion in Q1 of 2008-09 mainly led by inflows under FII's, FDI and NRI deposits (Table 9). Gross capital outflows during Q1 of 2009-10 stood lower at US\$ 71.8 billion as against US\$ 79.7 billion in Q1 of 2008-09.
- (ii) With the revival in capital inflows to India, particularly foreign investments, the capital account showed a turnaround from a negative balance in last two quarters of 2008-09 to a positive balance of US\$ 6.7 billion during Q1 of 2009-10 (US\$ 11.1 billion in Q1 of 2008-09) (Table 10).

<b>Table 9: Gross Capital Inflows and Outflows</b>						
<b>(US\$ million)</b>						
Item	Gross Inflows			Gross Outflows		
	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)	2008-09 (P)	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	2	3	4	5	6	7
1.Foreign Direct	36,258	12,137	9,612	18,762	3,170	2,779
2.Portfolio Investment	128,651	40,764	38,625	142,68	44,975	30,357
<i>Of which</i>						
FII's	127,349	39,746	38,559	142,36	44,923	30,332
ADRs/GDRs	1,163	999	43	-	-	-
3.External Assistance	5,042	909	821	2,404	558	737
4.ECBs	15,382	2,760	2,092	7,224	1,293	2,448
5. NRI Deposits	37,089	9,063	11,172	32,799	8,249	9,354
6. Banking Capital excluding NRI Deposits	27,909	12,889	4,405	35,596	11,007	9,588
7. Short-term Trade Credits	39,734	10,176	10,126	45,529	7,779	13,211
8. Rupee Debt Service	0	0	0	101	30	23
9. Other Capital	12,391	2,176	1,636	8,210	2,678	3,256
<b>Total (1 to 9)</b>	<b>302,456</b>	<b>90,874</b>	<b>78,489</b>	<b>293,31</b>	<b>79,739</b>	<b>71,753</b>

P: Preliminary. PR: Partially Revised.

- (iii) Net capital inflows, however, was lower in Q1 of 2009-10 as compared to that in the corresponding period of last year mainly because of large net outflows under short-term trade credits and banking capital.

<b>Table 10: Net Capital Flows</b>				
<b>(US\$ million)</b>				
	April-March		April-June	
	2007-08 (PR)	2008-09 (PR)	2008-09 (PR)	2009-10 (P)
1	3	4	5	6
1.Foreign Direct Investment	15,401	17,496	8,967	6,833
Inward FDI	34,236	34,982	11,876	9,459
Outward FDI	18,835	17,486	2,909	2,626
2.Portfolio Investment	29,556	-14,034	-4,211	8,268
<i>Of which</i>				
FIIIs	20,327	-15,017	-5,177	8,227
ADRs/GDRs	8,769	1,162	999	43
3.External Assistance	2,114	2,638	351	84
4.External Commercial Borrowings	22,633	8,158	1,468	-356
5. NRI Deposits	179	4,290	814	1,817
6. Banking Capital excluding NRI Deposits	11,578	-7,687	1,882	-5,183
7. Short-term Trade Credits	17,183	-5,795	2,397	-3,085
8. Rupee Debt Service	-121	-101	-30	-23
9. Other Capital	9,470	4,181	-502	-1,620
<b>Total (1 to 9)</b>	<b>107,993</b>	<b>9,146</b>	<b>11,135</b>	<b>6,736</b>

P: Preliminary. PR: Partially Revised.

- (iv) Net FDI inflows (net inward FDI minus net outward FDI) amounted to US\$ 6.8 billion in Q1 of 2009-10 (US\$ 9.0 billion in Q1 of 2008-09). Net inward FDI stood at US\$ 9.5 billion during Q1 of 2009-10 (US\$ 11.9 billion in Q1 of 2008-09). Net outward FDI stood at US\$ 2.6 billion in Q1 of 2009-10 as compared with US\$ 2.9 billion in Q1 of 2008-09.
- (v) During Q1 of 2009-10, FDI to India was channeled mainly into manufacturing sector (19.2 per cent), real estate activities (15.6 per cent), financial services (15.4 per cent), construction (12.2 per cent) and business services (11.7 per cent). Mauritius continued to be the major source of FDI during Q1 of 2009-10 with a share of 48.9 per cent followed by USA at 12.8 per cent.
- (vi) Portfolio investment primarily comprising foreign institutional investors' (FIIs) investments and American Depository Receipts (ADRs)/Global Depository Receipts (GDRs) witnessed a sharp turnaround from net outflows of US\$ 2.7 billion in Q4 of 2008-09 to net inflows of US\$ 8.3 billion during Q1 of 2009-10. During 2009-10, the sharp increase in FII inflows could be attributed to the recovery of domestic stock market in line with international stock markets, better corporate performance, political stability and comparatively better growth prospects.
- (vii) The tightness in liquidity in the overseas markets continued during Q1 of 2009-10. The approvals of external commercial borrowings (ECBs) were very low in the first two months of 2009-10, however, it recovered during June 2009. In addition, repayments of ECBs were higher at US\$ 2.1 billion during Q1 of 2009-10 (US\$ 1.1 billion during Q1 of 2008-09) resulting in net outflows of US\$ 0.4 billion under ECBs (inflows of US\$ 1.5 billion in Q1 of 2008-09).

- (viii) The gross disbursements of short-term trade credit was US\$ 10.1 billion during Q1 of 2009-10 almost same in Q1 of 2008-09. The repayments of short-term trade credits, however, were very high at US\$ 13.2 billion in Q1 of 2009-10 (US\$ 7.8 billion in Q1 of 2008-09). As a result, there were net outflows of US\$ 3.1 billion under short-term trade credit during Q1 of 2009-10 (inflows of US\$ 2.4 billion in Q1 of 2008-09).
- (ix) Banking capital mainly consists of foreign assets and liabilities of commercial banks. NRI deposits constitute major part of the foreign liabilities. Banking capital (net), including NRI deposits, were negative at US\$ 3.4 billion during Q1 of 2009-10 as against a positive net inflow of US\$ 2.7 billion during Q1 of 2008-09. Among the components of banking capital, NRI deposits witnessed higher inflows of US\$ 1.8 billion in Q1 of 2009-10 (net inflows of US\$ 0.8 billion in Q1 of 2008-09) reflecting the positive impact of the revisions in the ceiling interest rate on NRI deposits.
- (x) Other capital includes leads and lags in exports, funds held abroad, advances received pending for issue of shares under FDI and other capital not included elsewhere (n.i.e.). Other capital recorded net outflows of US\$ 1.6 billion in Q1 of 2009-10. The details of other capital are set out in Table 11.

<b>Table 11: Details of 'Other Capital' (Net)</b>				
(US\$ million)				
Item	April-March		April-June	
	2007-08 (PR)	2008-09 (PR)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5
1. Lead and Lags in Exports	983	5,424	-247	1,459
2. Net Funds Held Abroad	-5,487	-2,056	-1,358	-1,592
3. Advances Received Pending for Issue of Shares under FDI	8,700	1,003	850	-1,547
4. Other capital not included elsewhere (n.i.e)*	5,274	-190	254	60
<b>Total (1 to 4)</b>	<b>9,470</b>	<b>4,181</b>	<b>-502</b>	<b>-1,620</b>

P: Preliminary. PR: Partially Revised.

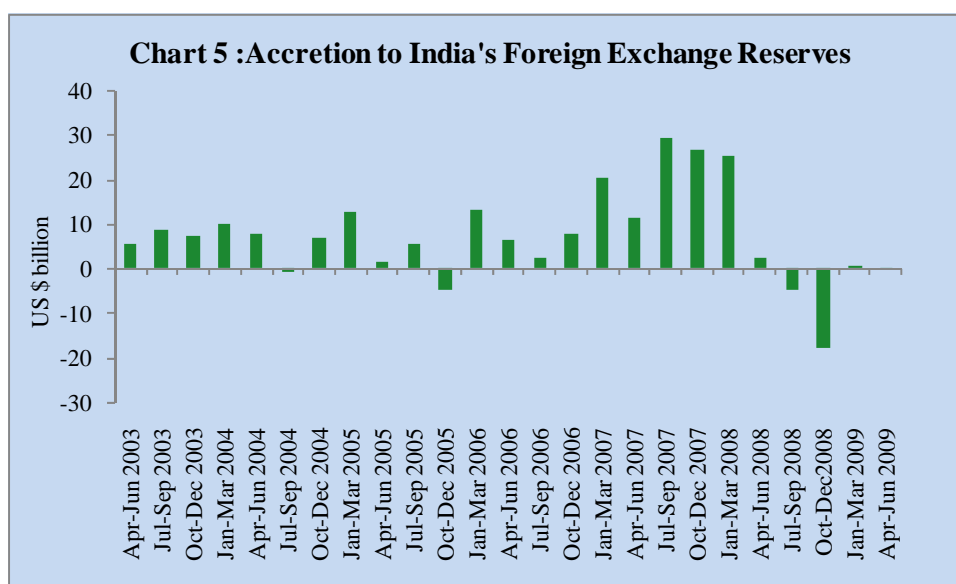
\*: Includes transaction related to derivatives and hedging, migrant transfers and other capital transfers.

### Variation in Reserves

- (i) The increase in foreign exchange reserves on a BoP basis (i.e., excluding valuation) was US\$ 115 million in Q1 of 2009-10 (as against an accretion to reserves of US\$ 2,235 million in Q1 of 2008-09) (Table 12 & Chart 5). However, the foreign exchange reserves including valuation increased by US\$ 13.2 billion during Q1 of 2009-10 implying that the increase in reserves during this period was mainly due to valuation gains as the US dollar has depreciated against major currencies. [A Press Release on the sources of variation in foreign exchange reserves is separately issued].
- (ii) At the end of June 2009, outstanding foreign exchange reserves stood at US\$ 265.1 billion.

<b>Table 12: Sources of Variation in Reserves (BoP Basis) in 2008-09</b>				
(US\$ million)				
Item	2007-08 (PR)	2008-09 (P)	2008-09 (Q1) (P)	2009-10 (Q1) (P)
1	2	3	4	
A. Current Account Balance	(-)17,034	(-)29,817	(-)9,019	(-) 5,808
B. Capital Account*	109,198	9,737	11,253	5,923
<i>Of Which</i>				
(i) Foreign Direct Investment	15,401	17,496	8,968	6,833
(ii) Portfolio Investment	29,556	(-)14,034	(-)4,211	8,268
(iii) External Commercial Borrowings	22,633	8,158	1,468	(-)356
(iv) Banking Capital	11,757	(-)3,397	2,696	(-) 3,365
(v) Short-term Trade Credits	17,183	(-)5,795	2,397	(-) 3,085
C. Change in Reserves: (-) indicates increase; (+) indicates decrease)#	(-)92,164	20,080	(-) 2,235	(-) 115

\*: Including errors and omissions. #: On BoP basis (i.e., excluding valuation).  
P: Preliminary. PR: Partially Revised.



- (iii) To sum up, the key features of India's BoP that emerged during Q1 of 2009-10 were: (i) large trade deficit led by a sharp decline in exports, (ii) net invisibles surplus led by remittances from overseas Indians and software services exports, (iii) current account deficit of US\$ 5.8 billion due to large trade deficit, (iv) improvement in net capital inflows mainly supported by large FII and FDI inflows, and (v) a marginal increase in reserves.

## 2. Reconciliation of Import Data

- (i) During Q1 of 2009-10, based on the records of Customs imports data released by the DGCI&S and the BoP merchandise imports (based on payments basis through Authorised Dealers), the difference between the two data sets works out to about US\$ 13.8 billion which, as per past experience, will narrow down subsequently (Table 13).

<b>Table 13 : Imports based on Customs (DGCI&amp;S) and BoP basis (RBI)</b>				
(US \$ million)				
Item	April-March		April-June	
	2007-08 PR	2008-09	2008-09 PR	2009-10 P
1	2	3	4	5
1. BoP Imports	257,789	294,587	80,545	64,775
2. DGCI&S Imports	251,439	287,759	77,609	50,936
3. Difference (1-2)	6,350	6,828	2,936	13,839

### 3. External Sector Indicators

(i) The details of key external sector indicators are set out in Table 14.

<b>Table 14: Key External Sector Indicators</b>				
Item	2007-08	2008-09	2008-09 (Q1) (PR)	2009-10 (Q1) (P)
1	2	3	4	5
<b>Merchandise Trade</b>				
1. Exports (US \$ on BoP basis) Growth Rate ( % )	28.9	5.4	43.0	-21.0
2. Imports (US \$ on BoP basis) Growth Rate ( % )	35.2	14.3	42.9	-19.6
3. Crude Oil Prices US \$ Per Barrel (Indian Basket)	79.2	82.4	118.8	63.9
4. Trade Balance (US \$ billion)	-91.6	-119.4	-31.4	-26.0
<b>Invisibles</b>				
5. Net Invisibles (US \$ billion)	74.6	89.6	22.4	20.2
6. Net Invisible Surplus / Trade Deficit ( % )	81.4	75.0	71.3	77.7
7. Invisibles Receipts / Current Receipts ( % )	47.2	48.1	44.2	49.9
8. Services Receipts / Current Receipts ( % )	28.6	30.0	26.2	28.9
9. Private Transfers Receipts / Current Receipts ( % )	13.8	13.7	13.8	17.2
<b>Current Account</b>				
10. Current Receipts ( US \$ billion)	314.8	337.7	88.1	77.5
11. Current Payments ( US \$ billion)	331.8	367.6	97.1	83.3
12. Current Account Balance (US \$ billion)	-17.0	-29.8	-9.0	-5.8
<b>Capital Account</b>				
13. Gross Capital Inflows ( US \$ billion)	433.0	302.5	90.9	78.5
14. Gross Capital Outflows ( US \$ billion)	325.0	293.3	79.7	71.8
15. Net Capital Flows ( US \$ billion)	108.0	9.1	11.1	6.7
16. Net FDI / Net Capital Flows ( % )	14.3	191.3	80.5	101.4
17. Net Portfolio Investment / Net Capital Flows ( % )	27.4	-153.4	-37.8	122.7
18. Net ECBs / Net Capital Flows ( % )	21.0	89.2	13.2	-5.3
<b>Reserves</b>				
19. Import Cover of Reserves (in months)	14.4	10.3	13.3	11.4
20. Outstanding Reserves as at end period (US\$ billion)	309.7	252.0	312.1	265.1

**4. External Debt for the Quarter ending June 2009**

- (i) As per the existing practice, the external debt for the quarters ending March and June are released by the Reserve Bank of India, while the external debt for the quarters ending September and December are released by the Ministry of Finance, Government of India. Accordingly, the data on external debt for the quarter ending June 2009 are being released by the Reserve Bank of India today ([www.rbi.org.in](http://www.rbi.org.in)).

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