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भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001
DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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Developments in India's Balance of Payments during the Second Quarter (July-September 2011) and Partially Revised data for First Quarter (April-June 2011) of 2011-12

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2), *i.e.*, July-September 2011 of the financial year 2011-12, are now available. These preliminary data and the partially revised data for the first quarter (Q1), *i.e.*, April-June 2011, have been taken into account for compiling the BoP data for the first half of the current financial year, *i.e.*, April-September 2011. The details of these data, as per the revised format of BoP presentation provided in IMF's BPM6, are set out in Statement I and Statement II. These data as per the old format are also given in these Statements.

Major Highlights of BoP during July-September (Q2) of 2011-12

- On a BoP basis, merchandise exports recorded a growth of 47.2 per cent (year-on-year) during Q2 of 2011-12 as against an increase of 20.1 per cent during corresponding quarter of 2010-11.
- Similarly, on a BoP basis, imports registered a growth of 35.4 per cent (year-on-year) during the quarter as against an increase of 21.9 per cent during same quarter last year.
- Despite higher growth in exports relative to imports, the trade deficit widened to US$ 43.9 billion as compared to US$ 37.0 billion during corresponding quarter last year.
- Services receipts recorded a growth of 9.3 per cent (year-on-year), led by software, travel and transportation. Services payments, however, declined by 3.9 per cent to US$ 18.5 billion during the quarter from US$ 19.2 billion in corresponding quarter of last year.
- While net secondary income (private transfers) receipts remained buoyant at US$ 16.2 billion, primary income account (investment income) continued to show a net outflow.
- Consequently, the current account deficit (CAD) was US$ 16.9 billion in Q2 of 2011-12.
- The financial account surplus moderated in Q2 of 2011-12 primarily on account of outflow of portfolio investment.
- There was, thus, a negligible accretion to foreign exchange reserves (US$ 0.3 billion) during Q2 of 2011-12 (excluding valuation).

Major Highlights of BoP during April-September (H1) of 2011-12

- During April-September 2011, the current account deficit widened to US$ 32.7 billion, largely reflecting the higher trade deficit.
- The financial account surplus improved mainly on account of buoyancy in FDI inflows and loans.
- Despite improvement in the financial account surplus, accretion to reserves during April-September 2011 was lower mainly due to the widening of the CAD as compared to April-September 2010.

1. Balance of Payments for July-September (Q2) of 2011-12

The major items of the BoP for the second quarter (Q2) of 2011-12 are set out below in Table 1.

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

(US$ Billion)

	July-Sept 2011 (P)			July-Sept 2010 (PR)			April-September 2011 (P)			April-September 2010 (PR)		
	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net	Exports	Imports	Net
A. Current Account (1+2+3+4)	130.4	147.3	-16.9	98.6	115.5	-16.9	256.1	288.9	-32.7	196.8	226.3	-29.5
1. Goods	76.6	120.5	-43.9	52.0	89.0	-37.0	151.0	236.7	-85.6	107.2	176.2	-69.0
2.Services	34.0	18.5	15.5	31.1	19.2	11.9	67.3	36.4	30.9	57.5	35.9	21.6
3. Primary Income	3.0	7.7	-4.7	2.0	6.8	-4.8	5.5	14.5	-9.0	4.8	13.1	-8.2
4. Secondary Income	16.8	0.6	16.2	13.5	0.5	13.0	32.3	1.3	31.0	27.2	1.1	26.1
B. Capital Account	0.4	0.2	0.2	0.1	0.1	-	0.5	0.5	-	0.2	0.3	-0.1
C. Financial Account	115.6	97.7	17.9	112.4	94.1	18.3	243.9	208.7	35.3	207.5	175.6	31.9
D. Errors & Omissions (A+B-C)		1.2	- 1.2		1.4	- 1.4		2.5	- 2.5		2.3	- 2.3

Changes in Reserve Assets are included under the Financial Account as recommended by the BPM 6.
Note: Total of subcomponents may not tally with aggregate due to rounding off.
P: Preliminary; PR: Partially Revised.

Goods Trade

- On a BoP basis, India's merchandise exports recorded a growth of 47.2 per cent (year-on-year) during Q2 of 2011-12 as against an increase of 20.1 per cent in the same quarter last year.
- On a BoP basis, merchandise imports registered a growth of 35.4 per cent as against an increase of 21.9 per cent last year.
- Notwithstanding higher growth in exports relative to imports, the trade deficit in absolute terms was higher at US$ 43.9 billion in Q2 of 2011-12 as compared with US$ 37.0 billion during Q2 of 2010-11.

Services and Income Flows

Growth in services receipts remained moderate during Q2 of 2011-12 as compared with that recorded in Q2 of 2010-11 while service payments declined by around 3.9 per cent over the corresponding quarter. However, services receipts and payments were higher as compared to the preceding quarter. Rise in net secondary income was partly offset by net outflow on account of primary income during Q2 of 2011-12 (Table 2).

Table 2: Disaggregated Items of Current Account (US$ Billion)				
	April-June 2011 (PR)	**April-June 2010 (PR)**	**July-September 2011 (P)**	**July-September 2010 (PR)**
1. Goods	**-41.7**	**-32.0**	**-43.9**	**-37.0**
2. Services	**15.4**	**9.7**	**15.5**	**11.9**
2.a Transport	0.3	0.0	0.7	-0.3
2.b Travel	0.6	0.6	1.1	0.6
2.c Construction	0.05	-0.2	-0.2	0
2.d Insurance and pension services	0.3	0.1	0.2	0.1
2.e Financial Services	-0.5	-0.2	-0.7	-0.1
2.f Charges for the use of intellectual property	-0.6	-0.5	-0.6	-0.5
2.g Telecommunications, computer and information services	15.1	11.9	15.0	12.1
2.h Personal, cultural and recreational services	0	0	0	0
2.i Government goods & services	-0.1	-0.0	0	-0.1
2. j Other Business services	-1.0	-1.0	-1.0	-1.0
2.k Others *n.i.e*	1.2	-0.9	1.0	1.1
3. Primary Income	**-4.4**	**-3.5**	**-4.7**	**-4.8**
3.a Compensation of Employees	0.2	-0.3	0.2	-0.2
3.b Investment Income	-4.5	-3.2	-4.9	-4.6
4. Secondary Income	**14.8**	**13.1**	**16.2**	**13.0**
4.a Personal Transfers	14.3	12.7	15.7	12.6
4.b Other Transfers	0.5	0.4	0.5	0.4
5. Current Account (1+2+3+4)	**-15.8**	**-12.6**	**-16.9**	**-16.9**
Note: Total of subcomponents may not tally with aggregate due to rounding off. P: Preliminary; PR: Partially Revised				

- Growth in services exports at 9.3 per cent in Q2 of 2011-12 was mainly led by software, travel and transportation which, however, was substantially lower than 45.9 per cent recorded in Q2 of 2010-11.
- Net outflow on account of primary income in Q2 of 2011-12 at US$ 4.7 billion was almost same as recorded during Q2 of 2010-11. However, receipts on account of investment income rose by 34.1 per cent as against a decline of 62.0 per cent in the corresponding quarter while investment income payments recorded an increase of 14.0 per cent (15.4 per cent in Q2 of 2010-11) mainly on account of higher interest payments.
- Secondary income (on net basis), reflecting mainly the remittances from overseas Indians, at US$ 16.2 billion remained buoyant and recorded a growth of 24.8 per cent during Q2 as against a decline of 5.6 per cent in Q2 of 2010-11.
- Consequently, the CAD stood at US$ 16.9 billion in Q2 of 2011-12 as compared to US$ 15.8 billion in the preceding quarter and US$ 16.9 in Q2 of 2010-11.

Capital Account

- The capital account, which includes mainly official transfers showed an inflow of US$ 244 million on a net basis while the same was negligible in the corresponding quarter of 2010-11.

Financial Account

The net inflows under the financial account were lower during Q2 of 2011-12 mainly on account of FII outflows (Table 3). With lower equity inflows, there has been distinct shift towards debt flows which financed significant part of CAD during Q2 of 2011-12.

Table 3: Disaggregated Items of Financial Account
(US$ Billion)

	April-June 2011 (PR)	April-June 2010 (PR)	July-September 2011 (P)	July-September 2010 (PR)
1. Direct Investment (net)	**7.9**	**3.5**	**4.4**	**3.6**
1.a Direct Investment to India	13.3	6.7	7.3	7.5
1.b Direct Investment by India	-5.4	-3.3	-2.9	-3.9
2. Portfolio Investment	**2.3**	**3.5**	**-1.4**	**18.7**
2.a Portfolio Investment in India	2.5	3.5	-1.6	18.8
2.b Portfolio Investment by India	-0.2	0	0.2	-0.1
3. Other investment	**12.6**	**10.4**	**15.2**	**-0.7**
3.a Other equity (ADRs/GDRs)	0.3	1.1	0.2	0.5
3.b Currency and deposits	1.2	1.1	2.8	0.4
Deposit-taking corporations, except the central bank: (NRI Deposits)	1.2	1.1	2.8	1.0
3.c Loans*	15.5	7.6	11.3	0.4
3.c.i Loans to India	15.5	7.7	10.6	0.7
Deposit-taking corporations, except the central bank	11.5	2.9	3.9	-3.6
General government (External Assistance)	0.4	2.5	0.3	0.6
Other sectors (ECBs)	3.6	2.3	6.4	3.7
3.c.ii Loans by India	- 0.01	-0.01	0.6	-0.3
General government (External Assistance)	0	0	0	0
Other sectors (ECBs)	0.02	-0.01	0.6	-0.3
3.d Trade credit and advances	3.1	4.3	2.9	2.6
3.e Other accounts receivable/payable - other	-7.4	-3.7	-1.9	-4.6
4. Reserve assets	**-5.4**	**-3.7**	**-0.3**	**-3.2**
Financial Account (1+2+3+4)	**17.4**	**13.6**	**17.9**	**18.3**

Note: Total of subcomponents may not tally with aggregate due to rounding off.
P: Preliminary; PR: Partially Revised
*: includes External Assistance, ECBs, non-NRI Banking Capital and short term trade credit.

- Net financial inflows moderated at US$ 17.9 billion during Q2 of 2011-12 (US$ 18.3 billion during Q2 in previous year). This was mainly on account of net portfolio outflows of US$ 1.4 billion during Q2 of 2011-12 as against an inflow of US$ 18.7 billion in Q2 of 2010-11.

- Net FDI inflows to India (inward FDI minus outward FDI), however, increased to US$ 4.4 billion during Q2 of 2011-12 as compared to US$ 3.6 billion in Q2 of 2010-11.
- Net loans availed by banks stood at US$ 3.9 billion in Q2 of 2011-12 as against an outflow of US$ 3.6 billion in Q2 of 2010-11 mainly due to rise in overseas borrowings.
- Net loans availed by non-Government and non-banking sectors (net ECBs) stood higher at US$ 6.4 billion as compared to US$ 3.7 billion in Q2 of 2010-11.
- Net inflows under short-term trade credit increased marginally to US$ 2.9 billion in Q2 of 2011-12 as compared to US$ 2.6 billion in Q2 of 2010-11.
- There was a net accretion to foreign exchange reserves (on a BoP basis) to the extent of US$ 0.3 billion during Q2 of 2011-12. , The outstanding foreign exchange reserves (including valuation changes) declined by US$ 4.2 billion during the quarter, largely reflecting appreciation of the US dollar against major international currencies.

2. Balance of Payments for April-September (H1) of 2011-12[1]

Goods Trade

- Export growth during April-September 2011 was higher at 40.8 per cent than that in imports at 34.3 per cent. The commodity-wise exports data released by the DGCI&S so far indicate that exports seems to have driven mainly by buoyancy in items such as engineering goods and petroleum products. Nevertheless, trade deficits (on BoP basis) widened to US$ 85.6 billion during April-September 2011 from US$ 69.0 billion during April-September 2010. It was mainly due to significant increase in international prices of imported commodities, *viz*., oil and gold & silver during H1 of 2011-12.
- The price of the Indian crude oil basket increased by 45.4 per cent during H1 of 2011-12 over H1 of 2010-11 while price of gold rose by 32.3 per cent during the same period.
- Growth in exports of services moderated to 17.0 per cent during April-September 2011 as against 31.8 per cent during April-September 2010, while growth in imports of services was substantially lower at 1.2 per cent as against 47.2 per cent (Table 2).
- Computer services receipts were US$ 30.8 billion during 2011-12 as against US$ 24.8 billion during April-September 2010.
- On a net basis, the services surplus increased to US$ 30.9 billion in April-September 2011 from US$ 21.6 billion in the corresponding period a year ago.

Primary Income

- Primary income mainly comprises compensation of employees and investment income. Investment income receipts declined by 3.8 per cent to US$ 4.2 billion during H1 of 2011-12. Investment income payments amounted to US$ 13.6 billion during H1 of 2011-12 (US$ 12.2 billion a year ago).

[1] This incorporates updation in BoP data on account of the downward revision of US$ 9 billion in merchandise exports by DGCI&S and other revisions relating to services exports.

Secondary Income

- Secondary income receipts that primarily comprise personal transfers increased to US$ 32.3 billion during H1 of 2011-12 (US$ 27.2 billion a year ago).

Current Account Balance

- During H1 of 2011-12, there has been an increase in absolute size of current account deficit to US$ 32.7 billion, reflecting widening of trade deficit as well as moderation of growth in exports of services. However, as a proportion of GDP, CAD at 3.6 per cent was a shade lower than 3.7 per cent in H1 of the preceding year.
- Both gross inflows and outflows under the financial account were higher in H1 of 2011-12 as compared with the same period a year ago.
- In net terms, financial inflows increased moderately to US$ 35.3 billion in H1 of 2011-12 as against 31.9 billion in H1 of 2010-11.
- The other capital outflows of US$ 9.3 billion (net) during H1 of 2011-12 comprise mainly other receivables/ payables that include leads and lags in exports, net funds held abroad, advances received pending issues of shares under FDI and miscellaneous capital. In the corresponding period of last year this amount was US$ 8.4 billion.
- Net accretion to reserves (on a BoP basis) during H1 of 2011-12 was substantially lower as compared to H1 of previous year mainly due to widening of the current account deficit.

3. External Debt for the Quarter ending September 2011

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 2011 are being released by the Ministry of Finance, Government of India. The same could be accessed at http://finmin.nic.in

Ajit Prasad
Assistant General Manager

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