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**Developments in India's Balance of Payments
during the Second Quarter (July-September) of 2014-15**

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2), *i.e.*, July-September, of the financial year 2014-15, are now available and presented in [Statements I](#) and [II](#). While Statement I presents BoP data in BPM6 format, Statement II provides the same as per the old format.

Developments in India's BoP during July-September 2014

- India's current account deficit (CAD) increased to US\$ 10.1 billion (2.1 per cent of GDP) in Q2 of 2014-15 from US\$ 7.8 billion (1.7 per cent of GDP) in the preceding quarter and US\$ 5.2 billion (1.2 per cent of GDP) in Q2 of 2013-14.
- The increase in CAD was primarily on account of higher trade deficit contributed by both a deceleration in export growth and increase in imports.
- On BoP basis, merchandise export growth decelerated to 4.9 per cent in Q2 of 2014-15 from 11.9 per cent in Q2 of 2013-14.
- On BoP basis, merchandise imports increased by 8.1 per cent in Q2 of 2014-15 as against a decline of 4.8 per cent in Q2 of 2013-14, largely due to a sharp rise in gold imports.
- Net services receipts improved by 3.4 per cent in Q2 of 2014-15 on a pick-up telecommunication, computer and information services from their level a year ago.
- Net outflow on account of primary income (profit, dividend and interest) amounting to US\$ 6.9 billion in Q2 of 2014-15 was higher than the corresponding quarter of 2013-14 (US\$ 6.3 billion) as well as the preceding quarter (US\$ 6.7 billion).
- In Q2 of 2014-15, gross private transfer receipts at US\$ 17.4 billion were marginally higher as compared with the corresponding quarter of 2013-14.
- In the financial account, net flows through foreign direct investment were stable; however, portfolio investment recorded inflows of US\$ 9.8 billion as against an outflow of US\$ 6.6 billion in Q2 of 2013-14.
- 'Loans' (net) availed by deposit taking corporations (commercial banks) witnessed an outflow of US\$ 4.6 billion in Q2 of 2014-15 owing to higher repayments of overseas borrowings and a build-up of their overseas foreign currency assets.
- Under 'currency & deposits', net inflows of NRI deposits at US\$ 4.1 billion were lower in Q2 of 2014-15 than US\$ 8.2 billion in Q2 of 2013-14.

- The amount of loans (net) of other sectors (*i.e.*, external commercial borrowings) at US\$ 1.4 billion was a shade higher than US\$ 1.3 billion in Q2 of 2013-14.
- Net outflow under trade credits and advances at US\$ 0.2 billion was much lower than US\$ 1.9 billion in Q2 of 2013-14 *albeit* there was net inflow in the preceding quarter.
- On a BoP basis, there was a net accretion of US\$ 6.9 billion to India's foreign exchange reserves in Q2 of 2014-15 as against a drawdown of US\$ 10.4 billion in Q2 of 2013-14 (Table 1).

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

(US\$ Billion)												
	July-Sept 2014 (P)			July-Sept 2013 (PR)			Apr-Sept 2014-15 P			Apr-Sept 2013-14 P		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	144.1	154.2	-10.1	138.3	143.5	-5.2	283.2	301.2	-17.9	269.3	296.2	-26.9
1. Goods	85.3	123.8	-38.6	81.2	114.5	-33.3	167.0	240.2	-73.2	155.2	238.9	-83.8
<i>Of which:</i>												
POL	18.5	41.9	-23.4	18.4	41.1	-22.7	33.6	82.6	-49.0	32.6	80.3	-47.7
2. Services	38.4	19.4	19.0	36.7	18.3	18.4	75.9	39.9	36.1	73.2	37.9	35.2
3. Primary Income	3.0	9.8	-6.9	3.1	9.4	-6.3	5.3	18.9	-13.6	5.6	16.8	-11.2
4. Secondary Income	17.5	1.1	16.3	17.3	1.2	16.1	35.0	2.3	32.8	35.3	2.6	32.8
B. Capital Account and Financial Account	130.7	118.8	11.8	131.8	126.2	5.6	277.8	257.4	20.5	266.8	240.3	26.5
<i>Of which:</i>												
Change in Reserve (Increase (-)/Decrease (+))	0.0	6.9	-6.9	10.4	0.0	10.4	0.0	18.1	-18.1	10.7	0.0	10.7
C. Errors & Omissions (-) (A+B)		1.7	-1.7		0.4	-0.4		2.5	-2.5	0.5		0.5

P: Preliminary; PR: Partially Revised

Note: Total of subcomponents may not tally with aggregate due to rounding off.

BoP during April-September 2014 (H1 of 2014-15)

- With a relatively higher growth in merchandise exports and marginal rise in merchandise imports, India's trade deficit narrowed to US\$ 73.2 billion in H1 of 2014-15 from US\$ 83.8 billion in H1 of 2013-14.
- Lower trade deficit coupled with a marginal rise in net services receipts moderated the CAD to US\$ 17.9 billion in H1 of 2014-15 (1.9 per cent of GDP) from US\$ 26.9 billion in H1 of 2013-14 (3.1 per cent of GDP).
- Net inflows under the capital and financial account (excluding change in foreign exchange reserves) rose to US\$ 38.5 billion in H1 of 2014-15 from US\$ 15.8 billion in H1 of 2013-14.
- Lower CAD and rise in flows under financial account resulted in an accretion to India's foreign exchange reserve to the tune of US\$ 18.1 billion in H1 of 2014-15 as against a drawdown of US\$ 10.7 billion in H1 of 2013-14.