



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 2270 3279

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ई-मेल email: helpdoc@rbi.org.in

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Developments in India's Balance of Payments during October-December 2009

Preliminary data on India's Balance of Payments (BoP) for the third quarter (Q3) *i.e.*, October-December 2009 of the financial year 2009-10, are now available. Based on these preliminary data and the partially revised data for the first two quarters *i.e.*, April-June 2009 (Q1) and July-September 2009 (Q2), the BoP data for the period April-December 2009 of the current financial year 2009-10 have been compiled, which are set out in the standard format of BoP presentation in [Statements I](#) and [II](#).

Major Highlights of BoP

- (i) Exports recorded a growth of 13.2 per cent during Q3 of 2009-10 over the corresponding quarter of the previous year, after consecutive declines in the last four quarters.
- (ii) Imports registered a growth of 2.6 per cent in Q3 of 2009-10 after recording consecutive declines in the last three quarters.
- (iii) Private transfer receipts remained robust during Q3 of 2009-10.
- (iv) Despite low trade deficit, the current account deficit was higher at US\$ 12.0 billion during Q3 of 2009-10 mainly due to lower invisibles surplus.
- (v) The current account deficit during April-December 2009 was higher at US\$ 30.3 billion as compared to US\$ 27.5 billion during April-December 2008.
- (vi) Surplus in capital account increased sharply to US\$ 43.2 billion during April-December 2009 (US\$ 5.8 billion during April-December 2008) mainly on account of large inflows under FDI, Portfolio investment, NRI deposits and commercial loans.
- (vii) As the surplus in capital account exceeded the current account deficit, there was a net accretion to foreign exchange reserves of US\$ 11.3 billion during April-December 2009 (as against a drawdown of US\$ 20.4 billion during April-December 2008).

Balance of Payments for October-December (Q3) of 2009-10

The major items of the BoP for the third quarter (Q3) of 2009-10 are set out below in Table 1.

Table 1: Major Items of India's Balance of Payments						
(US\$ million)						
Item	April-June		July-September		October-December	
	2008-09 (PR)	2009-10 (PR)	2008-09 (PR)	2009-10 (PR)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5	6	7
1. Exports	57,454	37,910	53,630	41,915	39,436	44,648
2. Imports	82,731	64,804	92,752	73,810	73,484	75,374
3. Trade Balance (1-2)	-25,277	-26,894	-39,121	-31,895	-34,049	-30,726
4. Invisibles, net	22,003	20,534	26,546	19,955	22,381	18,696
5. Current Account Balance (3+4)	-3,274	-6,360	-12,575	-11,940	-11,668	-12,030
6. Capital Account Balance*	5,509	6,475	7,841	21,358	-6,214	13,797
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	-2,235	-115	4,734	-9,418	17,881	-1,767
*: Including errors and omissions. #: On BoP basis (i.e., excluding valuation). P: Preliminary. PR: Partially Revised.						

- (i) India's merchandise exports recorded a growth of 13.2 per cent in Q3 of 2009-10 as against a decline of 8.4 per cent in Q3 of 2008-09.
- (ii) Import payments while, on a BoP basis, registered a growth of 2.6 per cent in Q3 of 2009-10 as compared with an increase of 9.2 per cent in Q3 of 2008-09, grew by 6.6 per cent on Directorate General of Commercial Intelligence and Statistics (DGCI&S) basis during the quarter under review. The low growth in imports is mainly attributed to decline in oil related import payments due to lower international crude oil prices during the period.
- (iii) The trade deficit, on a BoP basis, was lower at US\$ 30.7 billion as compared to US\$ 34.0 billion during Q3 of 2008-09.
- (iv) The decline in invisibles receipts, which started in the Q4 of 2008-09, continued during Q3 of 2009-10. Invisibles receipts registered a decline of 3.1 per cent during the quarter (as against an increase of 5.4 per cent in Q3 of 2008-09) mainly on account of decline in business, communication and financial services, and investment income receipts. Although, software exports recorded a robust growth of 15.3 per cent, services exports as a whole witnessed a decline of 12.3 per cent during the quarter as against an increase of 11.8 per cent during the corresponding quarter of 2008-09.
- (v) Invisibles payments recorded a growth of 12.9 per cent during Q3 of 2009-10, as compared with a low growth of 2.4 per cent in Q3 of 2008-09, mainly led by increase in payments under almost all components of services.
- (vi) As decline in services exports was made up by strong private transfers receipts (24.1 per cent in Q3 of 2009-10), net invisibles (invisibles receipts minus invisibles payments) recorded a surplus of US\$ 18.7 billion in Q3 of 2009-10 (US\$ 22.4 billion in Q3 of 2008-09).

- (vii) Size of invisibles surplus in Q3 of 2009-10 was, however, lower than Q3 of preceding year. Therefore, despite low trade deficit, the current account deficit was higher at US\$ 12.0 billion in Q3 of 2009-10 (US\$ 11.7 billion in Q3 of 2008-09).
- (viii) Continuing buoyancy in capital inflows mainly led by large inflows under foreign direct investments, portfolio investments and short-term trade credits resulted in a net capital account surplus of US\$ 14.7 billion during Q3 of 2009-10 as against a net deficit of US\$ 6.1 billion during Q3 of 2008-09.
- (ix) Net FDI flows (net inward FDI minus net outward FDI) amounted to US\$ 3.9 billion in Q3 of 2009-10 (US\$ 0.4 billion in Q3 of 2008-09). Net inward FDI stood at US\$ 7.1 billion during Q3 of 2009-10 (US\$ 6.3 billion in Q3 of 2008-09). Net outward FDI remained lower at US\$ 3.2 billion in Q3 of 2009-10 (US\$ 5.9 billion in Q3 of 2008-09). Net portfolio investments were higher at US\$ 5.7 billion mainly supported by strong net inflows by the foreign institutional investors amounting to US\$5.3 billion during Q3 of 2009-10.
- (x) Net External Commercial Borrowings (ECBs) remained lower at US\$ 1.5 billion in Q3 of 2009-10 (US\$ 3.8 billion in Q3 of 2008-09) mainly due to increased repayments and low disbursements of commercial loans to India. Short-term trade credits to India recorded a net inflow of US\$ 3.3 billion in Q3 of 2009-10 as against a net outflow of US\$ 4.2 billion during Q3 of 2008-09.
- (xi) Net inflows under banking capital was higher at US\$ 1.9 billion mainly due to drawdown of foreign assets of commercial banks and a net inflow of US\$ 0.6 billion under non-resident Indian (NRI) deposits.
- (xii) There was an increase in foreign exchange reserves on BoP basis (*i.e.*, excluding valuation) of US\$ 1.8 billion in Q3 of 2009-10 as against a decline of US\$ 17.9 billion in Q3 of 2008-09. In nominal terms (including valuation changes), foreign exchange reserves rose by US\$ 2.2 billion during Q3 of 2009-10.

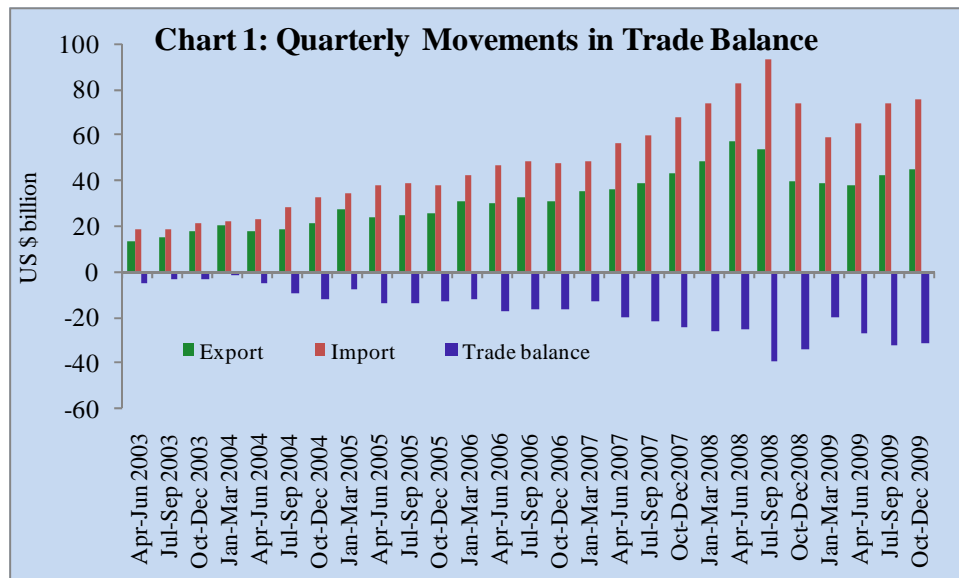
1. Balance of Payments (BoP) for April-December 2009

Table 2 and Statement II present developments in major items of BoP during April-December 2009. Major developments are as under:

- (i) On a BoP basis, India's merchandise exports posted a decline of 17.3 per cent in April-December 2009 (as against a high growth of 27.5 per cent in the corresponding period of the previous year).
- (ii) Import payments, on a BoP basis, also remained lower recording a decline of 14.0 per cent during April-December 2009 as compared with a high growth of 35.6 per cent in the corresponding period of the previous year.
- (iii) According to the DGCI&S data, exports declined by 17.3 per cent, and imports growth was negative at 22.0 per cent led by the decline in both oil imports (a decline of 29.7 per cent) and non-oil imports (a decline of 18.4 per cent) during April-December 2009.

Table 2: Major Items of India's Balance of Payments				
(US\$ million)				
Item	April-March		April-December	
	2007-08 (R)	2008-09 (PR)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5
1. Exports	166,162	189,001	150,520	124,473
2. Imports	257,629	307,651	248,967	213,988
3. Trade Balance (1-2)	-91,467	-118,650	-98,446	-89,515
4. Invisibles, net	75,731	89,923	70,931	59,185
5. Current Account Balance (3+4)	-15,737	-28,728	-27,516	-30,330
6. Capital Account Balance*	107,901	8,648	7,136	41,630
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	-92,164	20,080	20,380	-11,300
*: Including errors and omissions. #: On BoP basis (i.e., excluding valuation) P: Preliminary. PR: Partially Revised. R: Revised.				

- (iv) On a BoP basis, the merchandise trade deficit decreased to US\$ 89.5 billion during April-December 2009 from US\$ 98.4 billion in April-December 2008 mainly on account of both lower oil and non-oil import payments (Chart 1).



- (v) Invisible receipts recorded a decline of 7.7 per cent during April-December 2009, as compared with an increase of 22.2 per cent in the corresponding period of the previous year, mainly due to the lower receipts under almost all components of services coupled with lower investment income receipts (Table 3 and Chart 2).
- (vi) Private transfer receipts, comprising mainly remittances from Indians working overseas, increased to US\$ 40.8 billion in April-December 2009 from US\$ 37.1 billion in the corresponding period of the previous year. Private transfer receipts constituted 16.9 per cent of current receipts in April-December 2009 (13.4 per cent in the corresponding period of the previous year). Under Private transfers, the inward remittances for family maintenance accounted for about 52.7 per cent of the total private transfer receipts, while local withdrawals accounted for about 43.7 per cent in April-December 2009.

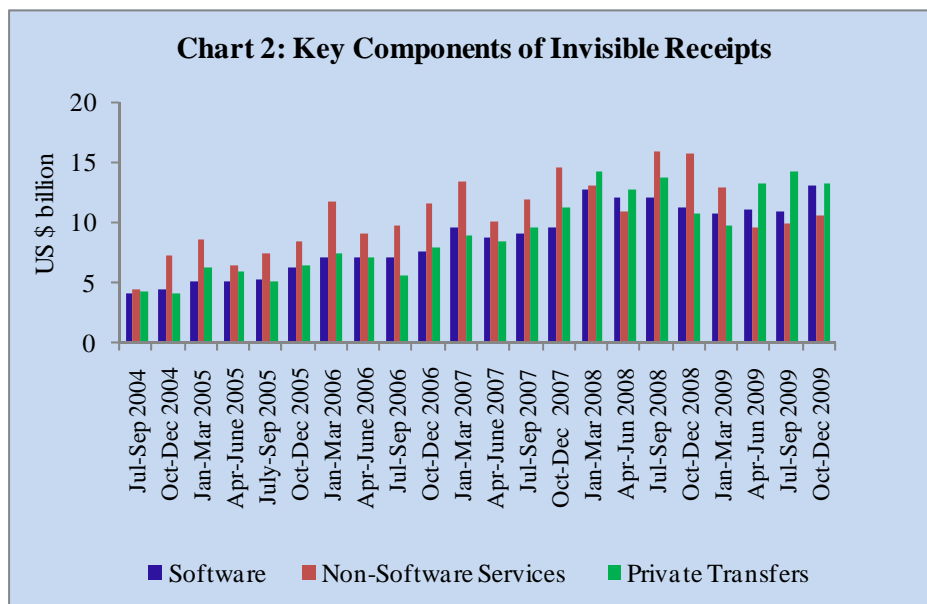
- (vii) Software receipts at US\$ 34.9 billion showed a marginal decline of 1.7 per cent in April-December 2009.

Table 3: Invisibles Gross Receipts and Payments								
(US\$ million)								
Item	Invisibles Receipts				Invisibles Payments			
	April-March		April-December		April-March		April-December	
	2007-08 (R)	2008-09 (PR)	2008-09 (PR)	2009-10 (P)	2007-08 (R)	2008-09 (PR)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5	6	7	8	9
A. Services (1 to 5)	90,342	101,678	77,929	65,171	51,490	52,047	38,969	40,569
1.Travel	11,349	10,894	8,214	7,925	9,258	9,425	6,820	6,648
2.Transportation	10,014	11,286	8370	8,047	11,514	12,820	10,320	8,364
3.Insurance	1,639	1,419	1,071	1,179	1,044	1,130	801	960
4.Govt. not included elsewhere	331	389	308	324	376	793	439	362
5.Miscellaneous	67,010	77,691	59,967	47,696	29,298	27,879	20,589	24,235
<i>Of Which:</i>								
<i>Software</i>	40,300	46,300	35,475	34,884	3,358	2,814	2,358	1,162
<i>Non-Software</i>	26,710	31,391	24,492	12,812	25,940	25,065	18,231	23,073
B. Transfers	44,261	47,547	37,567	41,216	2,316	2,749	2,330	1,676
<i>Private</i>	43,508	46,903	37,083	40,810	1,802	2,336	2,028	1,345
<i>Official</i>	753	645	484	406	514	413	302	331
C. Income	14,272	14,309	10,909	10,332	19,339	18,816	14,176	15,289
<i>Investment Income</i>	13,811	13,483	10,273	9,649	18,244	17,506	13,179	14,100
<i>Compensation of Employees</i>	461	825	636	683	1,095	1,309	998	1,189
Invisibles (A+B+C)	148,875	163,534	126,406	116,719	73,144	73,612	55,475	57,534

P: Preliminary.

PR: Partially Revised.

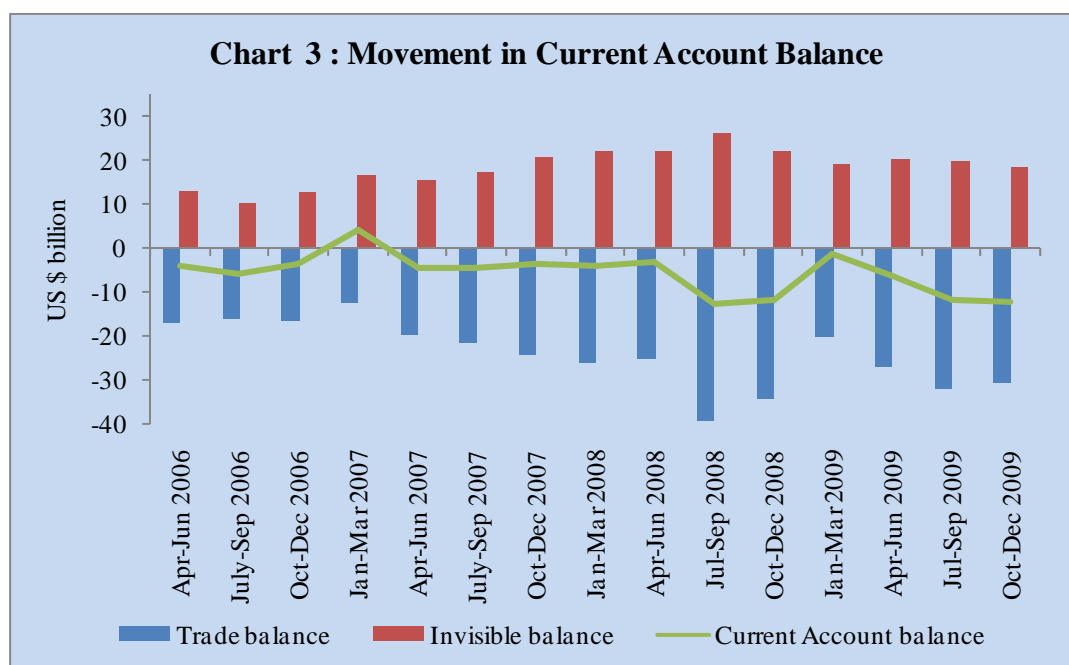
R: Revised.



- (viii) Invisibles payments witnessed a positive growth of 3.7 per cent in April-December 2009 (10.4 per cent in April-December 2008) mainly supported by higher business, communication and financial services, and increase in payments under investment income account.
- (ix) Net invisibles (invisibles receipts minus invisibles payments) stood at US\$ 59.2 billion during April-December 2009 as compared with US\$ 70.9 billion during April-

December 2008. At this level, the invisibles surplus financed 66.1 per cent of trade deficit during April-December 2009 as against 72.0 per cent during April-December 2008.

- (x) Despite lower trade deficit, decline in invisibles surplus led to higher current account deficit at US\$ 30.3 billion in April-December 2009 (US\$ 27.5 billion during April-December 2008) (Chart 3).



- (xi) Net capital flows at US\$ 43.2 billion in April-December 2009 was much higher as compared with US\$ 5.8 billion in April-December 2008 mainly due to larger inflows under FDI, portfolio investments and NRI deposits (Table 4).

Table 4: Net Capital Flows				
(US \$ million)				
Item	April-March		April-December	
	2007-08 (R)	2008-09 (PR)	2008-09 (PR)	2009-10 (P)
1	2	3	4	5
1. Foreign Direct Investment	15,893	17,498	14,313	16,534
Inward FDI	34,728	34,992	26,982	26,564
Outward FDI	18,835	17,495	12,669	10,030
2. Portfolio Investment	27,433	-14,030	-11,338	23,600
Of which:				
FIIs	20,327	-15,017	-12,408	20,519
ADR/GDRs	6,645	1,162	1,142	3,152
3. External Assistance	2,114	2,637	1,860	1,212
4. External Commercial Borrowings	22,609	7,941	6,944	2,290
5. NRI Deposits	179	4,290	2,114	3,474
6. Banking Capital excluding NRI Deposits	11,580	-7,535	-2,100	-486
7. Short-term Trade Credits	15,930	-1,909	685	2,665
8. Rupee Debt Service	-122	-100	-32	-24
9. Other Capital	10,969	-1,545	-6,608	-6,058
Total (1 to 9)	106,585	7,246	5,838	43,207
R: Revised. P: Preliminary. PR: Partially Revised.				

- (xii) Due to lower outward FDI, the net FDI (inward FDI minus outward FDI) was higher at US\$ 16.5 billion in April-December 2009 as compared with US\$ 14.3 billion in April-December 2008.
- (xiii) Portfolio investment witnessed large net inflows of US\$ 23.6 billion during April-December 2009 as against a net outflow of US\$ 11.3 billion in April-December 2008 due to large net FII inflows of US\$ 20.5 billion.
- (xiv) Net external commercial borrowings (ECBs) inflow slowed down to US\$ 2.3 billion in April-December 2009 (US\$ 6.9 billion in April-December 2008) mainly due to increased repayments.
- (xv) The increase in foreign exchange reserves on BoP basis (*i.e.*, excluding valuation) was US\$ 11.3 billion in April-December 2009 (as against a sharp decline in reserves of US\$ 20.4 billion in April-December 2008). [A Press Release on the Sources of Variation in Foreign Exchange Reserves is separately issued].

2. Comparison of RBI and DGCI&S Imports Data

During April-December 2009, 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\$ 16.0 billion (Table 5).

Table 5: DGCI&S and the BoP Import Data				
(US\$ billion)				
Item	April-March		April-December	
	2007-08	2008-09	2008-09	2009-10
1	2	3	4	5
1. BoP Imports	257.6	307.7	249.0	214.0
2. DGCI&S Imports	251.4	303.7	253.8	198.0
3. Difference (1-2)	6.2	4.0	-4.8	16.0

3. External Debt for the Quarter ending December 2009

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 December 2009 are being released by the Ministry of Finance, Government of India. The same could be accessed at <http://finmin.nic.in>.