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Developments in India's Balance of Payments during the Third Quarter (October-December 2010) of 2010-11

Preliminary data on India's balance of payments (BoP) for the third quarter (Q3), i.e., October-December 2010 of the financial year 2010-11, are now available. These preliminary data and the partially revised data for the first two quarters i.e., April-June 2010 (Q1) and July-September 2010 (Q2) have been taken into account for compiling the BoP data for April-December 2010. The details of these data are set out in the standard format of BoP presentation in [Statements I](#) and [II](#).

Major Highlights of BoP during October-December 2010 (Q3) of 2010-11

- (i) On a BoP basis, exports recorded a growth of 39.8 per cent while imports registered a growth of 24.9 per cent, year-on-year, during Q3 of 2010-11.
- (ii) The trade deficit in absolute terms amounted to US\$ 31.6 billion, broadly the same as in the corresponding quarter of last year.
- (iii) Net services recorded a growth of 49.3 per cent (as against a decline of 46.0 per cent a year ago) mainly due to strong growth in receipts led by travel, transportation, software, business and financial services.
- (iv) Private transfer receipts remained buoyant at US\$ 14.1 billion during the quarter.
- (v) Consequently, net invisibles balance under reference showed an increase of 17.0 per cent (as against a decline of 19.0 per cent a year ago).
- (vi) The current account deficit (CAD) moderated to US\$ 9.7 billion compared to the corresponding quarter of last year mainly due to recovery in the invisibles surplus.
- (vii) The capital account surplus increased marginally over the corresponding quarter of last year mainly due to higher net inflows under FII investments, external assistance, external commercial borrowings (ECBs) and banking capital.
- (viii) With capital account surplus being higher than the current account deficit, there was a net accretion to foreign exchange reserves of US\$ 4.0 billion during the quarter.

Major Highlights of BoP during April-December 2010

- (i) Despite improvement in net invisibles surplus, the current account deficit widened during April-December 2010 mainly due to higher trade deficit as compared to the corresponding period of last year. At this level, the CAD works out to 3.1 per cent of GDP during April-December 2010.

- (ii) Net capital inflows increased significantly driven by higher net inflows under FII investments, external assistance, short-term trade credits, ECBs and banking capital.
- (iii) Although net capital inflows increased significantly, accretion to reserves during April-December 2010 was marginally lower mainly due to widening of the current account deficit over April-December 2009.

1. Balance of Payments for October-December 2010 (Q3) of 2010-11

The major items of the BoP for the third quarter (Q3) of 2010-11 are set out below in Table 1.

Table 1: Major Items of India's Balance of Payments						
(US \$ billion)						
Item	April-June		July-September		October-December	
	2009-10 (PR)	2010-11 (PR)	2009-10 (PR)	2010-11 (PR)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5	6	7
1. Exports	39.2	55.3	43.4	51.8	47.2	66.0
2. Imports	65.4	88.0	73.0	89.6	78.1	97.5
3. Trade Balance (1-2)	-26.3	-32.8	-29.6	-37.8	-30.9	-31.6
4. Invisibles, net	22.1	20.3	20.4	21.0	18.7	21.9
5. Current Account Balance (3+4)	-4.2	-12.5	-9.2	-16.8	-12.2	-9.7
6. Capital Account Balance*	4.3	16.2	18.6	20.1	14.0	13.7
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	-0.1	-3.7	-9.4	-3.3	-1.8	-4.0
*: Including errors and omissions. #: On BoP basis (i.e., excluding valuation). P: Preliminary. PR: Partially Revised.						

Note: Difference in totaling may be due to rounding off.

- (i) On a BoP basis, India's merchandise exports recorded a growth of 39.8 per cent, year-on-year, during Q3 of 2010-11 as compared with a growth of 19.6 per cent during corresponding quarter of 2009-10.
- (ii) Similarly, on a BoP basis, merchandise imports registered a growth of 24.9 per cent, year-on-year, during the quarter as compared with a growth of 4.9 per cent during same quarter last year.
- (iii) Notwithstanding higher growth in exports relative to imports, the trade deficit in absolute terms widened to US\$ 31.6 billion as compared with US\$ 30.9 billion during the corresponding quarter of last year.
- (iv) Invisibles receipts recorded a growth of 33.8 per cent (as against a decline of 4.6 per cent last year) mainly led by services exports.
- (v) Services receipts recorded a growth of 55.7 per cent (as against a decline of 14.4 per cent a year ago) mainly led by travel, transportation, software, business and financial services.
- (vi) Private transfer receipts increased by 5.9 per cent to US\$ 14.1 billion during the quarter (US\$ 13.3 billion a year ago).
- (vii) Investment income receipts declined by 24.1 per cent during the quarter (on top of a decline of 20.5 per cent a year ago) mainly due to persistence of lower interest rates abroad.

- (viii) Invisibles payments recorded a growth of 48.2 per cent (as compared with a growth of 12.7 per cent a year ago) mainly due to higher payments under services and investment income.
- (ix) Services payments increased by 59.0 per cent during the quarter (as compared with a growth of 22.1 per cent a year ago) mainly due to travel, transportation, business and financial services.
- (x) Notwithstanding higher growth in invisibles payments relative to receipts, net invisibles (invisibles receipts minus invisibles payments) increased by 17.0 per cent (as against a decline of 19.0 per cent a year ago) to US\$ 21.9 billion.
- (xi) Despite the higher trade deficit, the current account deficit moderated to US\$ 9.7 billion (from US\$ 12.2 billion a year ago) mainly due to strong recovery in invisibles surplus.
- (xii) As the higher net inflows under FII investments, external assistance, ECBs and banking capital was offset by the moderation in inflows under foreign direct investment (FDI) and short-term trade credits, the capital account surplus increased only marginally to US\$ 14.9 billion during the quarter (US\$ 14.6 billion a year ago).
- (xiii) While net FII inflows increased to US\$ 7.2 billion during Q3 of 2010-11 as compared to US\$ 5.3 billion in the corresponding quarter of last year, gross inflows and outflows under FII investments during the quarter almost trebled reflecting large oversubscriptions to Coal India IPO in October 2010 and repatriations thereafter.
- (xiv) Net ECBs were significantly higher at US\$ 3.6 billion during the quarter (as compared with US\$ 1.7 billion last year) mainly due to higher disbursements of commercial loans to India.
- (xv) Banking capital recorded net inflows of US\$ 4.9 billion during the quarter (as compared with net inflows of US\$ 1.9 billion a year ago) mainly due to drawdown of foreign assets of commercial banks.
- (xvi) Net FDI flows (net inward FDI minus net outward FDI) moderated to US\$ 2.1 billion during Q3 of 2010-11 (US\$ 3.0 billion a year ago) mainly due to lower net inward FDI during the quarter.
- (xvii) With capital account surplus being higher than the current account deficit, there was a net accretion to foreign exchange reserves of US\$ 4.0 billion during the quarter (US\$ 1.8 billion a year ago). In nominal terms (i.e., including valuation changes), foreign exchange reserves increased by US\$ 4.5 billion during the quarter [A Press Release on the Sources of Variation in Foreign Exchange Reserves is separately issued].

2. Balance of Payments for April-December 2010

- (i) On a BoP basis, the trade deficits widened to US\$ 102.1 billion during April-December 2010 (US\$ 86.8 billion during April-December 2009) mainly due to higher absolute increase in imports relative to exports on the back of robust domestic economic performance (Table 2).
- (ii) Net invisibles surplus increased to US\$ 63.2 billion during April-December 2010 (US\$ 61.2 billion last year) mainly due to higher increase in invisibles receipts relative to payments in absolute terms. The increase in invisibles receipts was mainly driven by services exports, which recorded a growth of 41.2 per cent during April-December 2010 (as against a decline of 16.0 per cent a year ago).

- (iii) Invisibles payments increased by 39.5 per cent during April-December 2010 mainly reflecting higher services payments, which recorded a growth of 51.7 per cent (as against a moderate increase of 4.3 per cent a year ago).

Table 2: Major Items of India's Balance of Payments				
(US \$ billion)				
Item	April-March		April-December	
	2008-09 (R)	2009-10 (PR)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5
1. Exports	189.0	182.2	129.7	173.0
2. Imports	308.5	300.6	216.5	275.1
3. Trade Balance (1-2)	-119.5	-118.4	-86.8	-102.1
4. Invisibles, net	91.6	80.0	61.2	63.2
5. Current Account Balance (3+4)	-27.9	-38.4	-25.5	-38.9
6. Capital Account Balance*	7.8	51.8	36.8	50.0
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	20.1	-13.4	-11.3	-11.0
*: Including errors and omissions. #: On BoP basis (i.e., excluding valuation). R: Revised. P: Preliminary. PR: Partially Revised.				

- (iv) Private transfer receipts recorded a marginal increase during April-December 2010 to US\$ 41.3 billion (US\$ 40.8 billion a year ago) (Table 3).

Table 3: Invisibles Gross Receipts and Payments								
(US\$ billion)								
Item	Invisibles Receipts				Invisibles Payments			
	April-March		April-December		April-March		April-December	
	2008-09 (R)	2009-10 (PR)	2009-10 (PR)	2010-11 (P)	2008-09 (R)	2009-10 (PR)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5	6	7	8	9
A. Services (1 to 5)	106.0	95.8	67.9	95.9	52.0	60.0	40.7	61.7
1.Travel	10.9	11.9	8.5	10.8	9.4	9.3	6.7	8.0
2.Transportation	11.3	11.2	8.1	10.1	12.8	11.9	8.4	10.6
3.Insurance	1.4	1.6	1.2	1.4	1.1	1.3	1.0	1.1
4.Govt. not included elsewhere	0.4	0.4	0.3	0.4	0.8	0.5	0.4	0.5
5.Miscellaneous	81.9	70.7	49.9	73.3	27.9	36.9	24.3	41.4
Of Which:								
Software	46.3	49.7	35.4	41.8	2.6	1.5	1.2	1.9
Non-Software	35.6	21.0	14.5	31.4	25.3	35.5	23.1	39.5
B. Transfers	47.5	54.6	41.4	41.8	2.7	2.3	1.7	2.2
Private	46.9	53.9	40.8	41.3	2.3	1.8	1.3	1.8
Official	0.6	0.7	0.6	0.5	0.4	0.5	0.3	0.5
C. Income	14.3	13.0	10.3	6.9	21.4	21.1	16.1	17.6
Investment Income	13.5	12.1	9.7	6.2	20.1	19.4	14.9	16.1
Compensation of Employees	0.8	0.9	0.7	0.8	1.3	1.7	1.2	1.5
Invisibles (A+B+C)	167.8	163.4	119.7	144.7	76.2	83.4	58.4	81.5
P: Preliminary. PR: Partially Revised. R: Revised.								

- (v) Investment income receipts, however, declined by 36.1 per cent to US\$ 6.2 billion during April-December 2010 (US\$ 9.7 billion a year ago).

- (vi) Despite improvement in net invisibles surplus, the current account deficit widened during April-December 2010 to US\$ 38.9 billion (US\$ 25.5 billion a year ago) mainly due to higher trade deficit.
- (vii) Net capital inflows increased significantly to US\$ 52.7 billion during April-December 2010 (US\$ 37.6 billion a year ago) driven by higher net inflows under FII investments, external assistance, short-term trade credits, ECBs and banking capital (Table 4).
- (viii) Notwithstanding significant increase in net capital inflows, accretion to reserves (on a BoP basis) during April-December 2010 was marginally lower mainly due to widening of the current account deficit over April-December 2009.

Table 4: Net Capital Flows				
(US\$ billion)				
Item	April-March		April-December	
	2008-09 (R)	2009-10 (PR)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5
1. Foreign Direct Investment	19.8	18.8	15.4	7.6
Inward FDI	37.7	33.1	27.0	18.0
Outward FDI	-17.9	-14.4	-11.6	-10.4
2. Portfolio Investment	-14.0	32.4	23.6	30.1
Of which:				
FIIs	-15.0	29.0	20.5	29.5
ADR/GDRs	1.2	3.3	3.2	1.8
3. External Assistance	2.4	2.9	1.9	4.2
4. External Commercial Borrowings	7.9	2.8	2.4	9.3
5. NRI Deposits	4.3	2.9	3.5	2.3
6. Banking Capital excluding NRI Deposits	-7.5	-0.8	-0.5	3.4
7. Short-term Trade Credits	-2.0	7.6	3.1	8.5
8. Rupee Debt Service	-0.1	-0.1	-0.02	-0.02
9. Other Capital	-4.0	-13.0	-11.8	-12.7
Total (1 to 9)	6.8	53.4	37.6	52.7
R: Revised. P: Preliminary. PR: Partially Revised.				

3. External Debt for the Quarter ending December 2010

- (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 December 2010 are being released by the Ministry of Finance, Government of India. The same could be accessed at <http://finmin.nic.in>.

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