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RESERVE BANK OF INDIA

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### Developments in India's Balance of Payments during the Third Quarter (October - December 2011) of 2011-12

Preliminary data on India's balance of payments (BoP) for the third quarter (Q3), i.e., October-December, of the financial year 2011-12, are now available. They are set out in [Statement I](#) in the revised format as recommended by IMF in its *Sixth Edition* of BOP Manual. These data as per the old format are also given in [Statement II](#).

#### Major Highlights of BoP during October-December (Q3) of 2011-12

- During Q3 of 2011-12, India's BoP experienced a significant stress as trade deficit widened and capital inflows fell far short of financing requirement resulting in significant drawdown of foreign exchange reserves.
- On a BoP basis, merchandise exports recorded a lower growth of 7.9 per cent, year-on-year, during Q3 of 2011-12 as compared with 39.9 per cent during corresponding quarter of 2010-11.
- Imports registered a growth of 22.0 per cent during Q3 of 2011-12 as compared with 24.7 per cent in the corresponding quarter of the preceding year.
- With export growth remaining lower than the import growth, the trade deficit widened to US\$ 47.7 billion in Q3 of 2011-12 as compared with US\$ 31.4 billion in Q3 of 2010-11.
- Net services exports in Q3 of 2011-12 rose by 20.3 per cent, led by computer services, as compared with 47.5 per cent in Q3 of 2010-11.
- Net secondary income (private transfers) receipts rose by 30.6 per cent (y-o-y) to US\$ 17.5 billion in Q3 of 2011-12 as compared with US\$ 13.4 billion in Q3 of 2010-11.
- Primary income account (mainly investment income) showed a net outflow of US\$ 4.5 billion in Q3 of 2011-12, broadly the same as in the corresponding quarter of the previous year.
- Consequently, the current account deficit (CAD) widened to US\$ 19.6 billion in Q3 of 2011-12 (US\$ 10.1 billion in Q3 of 2010-11) which works out to be 4.3 per cent of GDP (2.3 per cent of GDP in Q3 of 2010-11).
- Capital and Financial account (excluding change in foreign exchange reserves), on a net basis, showed a significantly lower inflow of US\$ 8.2 billion in Q3 of 2011-12 as compared with US\$ 14.0 billion in Q3 of 2010-11.

- As a result, there was a drawdown of foreign exchange reserves of US\$ 12.8 billion (excluding valuation) during Q3 of 2011-12 as against an increase of US\$ 4.0 billion in the corresponding quarter of 2010-11.

### Major Highlights of BoP during April-December of 2011-12

- During April-December 2011, the CAD rose to US\$ 53.7 billion (4.0 per cent of GDP) from US\$ 39.6 billion (3.3 per cent of GDP) in April-December 2010, largely reflecting higher trade deficit on account of imports of POL and gold & silver.
- Net inflows under Capital and Financial account (excluding changes in reserve assets) at US\$ 47.5 billion showed moderation in April-December 2011 as compared to US\$ 52.9 billion in April-December 2010.
- There was a drawdown of reserves to the extent of US\$ 7.1 billion during April-December 2011 as against an accretion of US\$ 11.0 billion in April-December 2010.

### 1. Balance of Payments for October-December (Q3) of 2011-12

The major items of the BoP for Q3 of 2011-12 are set out below in Table 1.

<b>Table 1 : Major items of India's Balance of Payments</b>				
	<b>(US\$ Billion)</b>			
	<b>Oct-Dec 2011(P)</b>	<b>Oct-Dec 2010 (PR)</b>	<b>Apr-Dec 2011(P)</b>	<b>Apr-Dec 2010 (PR)</b>
1. Goods exports	71.2	66.0	222.0	173.2
2. Goods Imports	118.8	97.4	354.3	273.6
3. Trade Balance(1-2)	-47.7	-31.4	-132.3	-100.4
4. Services Exports	36.7	38.8	102.0	96.4
5. Services Imports	21.7	26.3	58.0	62.3
6. Net Services (4-5)	15.0	12.5	44.1	34.1
7. Goods & Services Balances (3+6)	-32.7	-18.9	-88.2	-66.3
8. Primary Income, Net (Compensation of employees and Investment Income)	-4.5	-4.6	-13.5	-12.8
9. Secondary Income, Net ( Private Transfers)	17.5	13.4	48.0	39.5
10. Net Income (8+9)	13.0	8.8	34.5	26.7
11. Current Account Balance (7+10)	-19.6	-10.1	-53.7	-39.6
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	8.2	14.0	47.5	52.9
13.Change in Reserves (- )increase/(+)decrease	12.8	-4.0	7.1	-11.0
14. Errors & Omissions (11+12-13)	-1.4	0.1	-0.9	-2.2
P: Preliminary; PR: Partially Revised				

### Goods Trade

- On a BoP basis, India's merchandise exports recorded a lower growth of 7.9 per cent, year-on-year, during Q3 of 2011-12 as compared with 39.9 per cent in the same quarter of previous year.

- On a BoP basis, growth in merchandise imports also decelerated to 22.0 per cent from 24.7 per cent recorded during Q3 of 2010-11, showing significant decline in “non-oil and non-gold” segment of imports.
- Reflecting import growth being higher than the export growth, the trade deficit was higher at US\$ 47.7 billion in Q3 of 2011-12 as compared with US\$ 31.4 billion, showing a rise of over 51 per cent during Q3 of 2010-11.

<b>Table 2: Disaggregated Items of Current Account (net)</b>				
	(US\$ Billion)			
	<b>Oct-Dec 2011 (P)</b>	<b>Oct-Dec 2010 (PR)</b>	<b>Apr-Dec 2011 (P)</b>	<b>Apr-Dec 2010 (PR)</b>
<b>1. Goods</b>	<b>-47.7</b>	<b>-31.4</b>	<b>-132.3</b>	<b>-100.4</b>
<b>2. Services</b>	<b>15.0</b>	<b>12.5</b>	<b>44.1</b>	<b>34.1</b>
2.a Transport	0.1	-0.3	1.2	-0.5
2.b Travel	1.5	1.6	2.5	2.8
2.c Construction	0.0	-0.1	-0.1	-0.3
2.d Insurance and pension services	0.4	0.1	0.8	0.3
2.e Financial Services	-0.5	-0.3	-1.5	-0.5
2.f Charges for the use of intellectual property	-0.8	-0.7	-2.0	-1.7
2.g Telecommunications, computer and information services	15.8	14.4	44.0	38.3
2.h Personal, cultural and recreational services	0.0	-0.2	0.1	-0.2
2.i Government goods & services	0.0	0.0	-0.1	-0.2
2.j Other Business services	-1.0	-1.0	-2.9	-3.0
2.k Others <i>n.i.e</i>	-0.6	-1.0	2.2	-0.8
<b>3. Primary Income</b>	<b>-4.5</b>	<b>-4.6</b>	<b>-13.5</b>	<b>-12.8</b>
3.a Compensation of Employees	0.0	-0.3	0.5	-0.7
3.b Investment Income	-4.5	-4.3	-13.9	-12.1
<b>4. Secondary Income</b>	<b>17.5</b>	<b>13.4</b>	<b>48.0</b>	<b>39.5</b>
4.a Personal Transfers	16.9	13.0	46.3	38.4
4.b. Other Transfers	0.6	0.4	1.6	1.2
<b>5. Current Account (1+2+3+4)</b>	<b>-19.6</b>	<b>-10.1</b>	<b>-53.7</b>	<b>-39.6</b>
Note: Total of subcomponents may not tally with aggregate due to rounding off.				
P: Preliminary; PR: Partially Revised				

### Services and Income Flows

- During Q3 of 2011-12, services receipts declined by 5.4 per cent to US\$ 36.7 billion from US\$ 38.8 billion in Q3 of 2010-11. Services payments also declined by 17.5 per cent to US\$ 21.7 billion from US\$ 26.3 billion in the corresponding quarter of previous year.
- Net services exports were higher at US\$ 15.0 billion in Q3 of 2011-12 as compared with US\$ 12.5 billion in the corresponding quarter of previous year mainly reflecting improvement in net software exports.
- Net outflow on account of primary income in Q3 of 2011-12 at US\$ 4.5 billion was broadly the same as recorded in Q3 of 2010-11. However, payments on account of investment income rose by 1.8 per cent during the period (33.4 per cent in Q3 of 2010-11) while investment income receipts recorded a decline of 6.2 per cent (24.1 per cent decline in Q3 of 2010-11) mainly on account of lower tax receipts.

- Secondary income (on net basis), reflecting mainly the remittances from overseas Indians, at US\$ 17.5 billion remained buoyant and recorded a growth of 30.6 per cent in Q3 as compared to an increase of 7.4 per cent in Q3 of 2010-11.
- Reflecting the larger trade deficit, the CAD widened to US\$ 19.6 billion in Q3 as compared with US\$ 18.4 billion in Q2 of 2011-12 and US\$ 10.1 in Q3 of 2010-11. At this level, CAD worked out to 4.3 per cent of GDP in Q3 of 2011-12 as compared with 2.3 per cent in Q3 of 2010-11.

### Capital and Financial Account

- Net financial inflows (excluding reserve assets) declined to US\$ 8.2 billion in Q3 of 2011-12 (US\$ 14.0 billion in Q3 of previous year). This was mainly on account of decline in net portfolio inflows during Q3 of 2011-12 (Table 3).
- Net FDI inflows to India (inward FDI minus outward FDI), however, increased to US\$ 4.5 billion during Q3 of 2011-12 as compared with US\$ 1.2 billion in Q3 of 2010-11.
- There was a net outflow of US\$ 5.9 billion under net loans to India in Q3 of 2011-12 as against an inflow of US\$ 9.7 billion in Q3 of 2010-11 mainly due to net repayments of overseas borrowings and build up of their foreign currency assets by deposits taking corporations (Non-NRI Banking Capital).

**Table 3: Disaggregated Items of Financial Account**

(US\$ Billion)

	Oct-Dec 2011 (P)	Oct-Dec 2010 (PR)	Apr-Dec 2011 (P)	Apr-Dec 2010 (PR)
<b>1. Direct Investment (net)</b>	<b>4.5</b>	<b>1.2</b>	<b>16.2</b>	<b>8.2</b>
1.a Direct Investment to India	6.4	6.1	26.7	20.4
1.b Direct Investment by India	-1.9	-4.9	-10.5	-12.1
<b>2. Portfolio Investment</b>	<b>1.8</b>	<b>6.1</b>	<b>2.7</b>	<b>28.3</b>
2.a Portfolio Investment in India	1.9	7.2	2.7	29.5
2.b Portfolio Investment by India	0.1	-1.1	-0.1	-1.2
<b>3. Other investment</b>	<b>1.8</b>	<b>6.6</b>	<b>28.5</b>	<b>16.3</b>
3.a Other equity (ADRs/GDRs)	0.1	0.2	0.6	1.8
3.b Currency and deposits	3.2	0.3	7.1	1.8
Deposit-taking corporations, except the central bank: (NRI Deposits)	3.3	0.2	7.3	2.3
3.c Loans*	-5.9	9.7	18.8	17.7
3.c.i Loans to India	-6.4	9.3	17.7	17.7
Deposit-taking corporations, except the central bank	-8.7	4.6	6.7	3.9
General government (External Assistance)	1.4	1.2	2.1	4.2
Other sectors (ECBs)	0.9	3.5	8.8	9.5
3.c.ii Loans by India	0.5	0.3	1.2	0.0
General government (External Assistance)	0.0	0.0	0.0	0.0
Other sectors (ECBs)	0.5	0.3	1.2	0.0
3.d Trade credit and advances	-0.1	1.3	5.8	8.3
3.e Other accounts receivable/payable – other	4.5	-4.9	-3.8	-13.3
<b>4. Reserve assets</b>	<b>12.8</b>	<b>-4.0</b>	<b>7.1</b>	<b>-11.0</b>
<b>Financial Account (1+2+3+4)</b>	<b>20.9</b>	<b>9.9</b>	<b>54.5</b>	<b>41.8</b>

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 inflows under short-term trade credit turned negative to US\$ 0.1 billion in Q3 of 2011-12 as against an inflow of US\$ 1.3 billion in Q3 of 2010-11.
- There was a net drawdown of foreign exchange reserves to the extent of US\$ 12.8 billion during Q3 of 2011-12 as against a reserve build-up of US\$ 4.0 billion in Q3 of 2010-11. In nominal terms (*i.e.*, including valuation changes), foreign exchange reserves declined by US\$ 14.8 billion during the quarter reflecting appreciation of US dollar against major international currencies.

## **2. Balance of Payments for April-December of 2011-12**

### **Goods Trade**

- Export at US\$ 222.0 billion recorded a growth of 28.1 per cent during April-December 2011 as compared with 33.7 per cent during April-December 2010. Imports at US\$ 354.3 billion grew by 29.5 per cent during April-December 2011-12 as compared with 26.4 per cent during April-December 2010 reflecting higher imports of POL and gold & silver.
- Consequently, the trade deficits widened to US\$ 132.3 billion during April-December 2011 (US\$ 100.4 billion during April-December 2010).
- International price of the Indian basket of crude oil increased by 38.6 per cent to US\$ 110.7 per barrel, during April-December of 2011-12 from US\$ 79.4 per barrel during the corresponding period of 2010-11.
- Growth in exports of services moderated at 5.9 per cent during April-December 2011 as against 41.6 per cent during April-December 2010 while imports of services declined by 6.9 per cent as against an increase of 54.5 per cent during April-December 2010 (Table 2).
- Computer services receipts rose by 13.9 per cent to US\$ 45.0 billion during April-December 2011 as compared with US\$ 39.5 billion during April-December 2010.
- On a net basis, services receipts increased to US\$ 44.1 billion in April-December 2011 from US\$ 34.1 billion in the corresponding period of previous year.

### **Primary Income**

- Primary income comprises mainly compensation of employees and investment income. Investment income receipts were lower by 3.0 per cent at US\$ 6.0 billion during April-December 2011 as compared with US\$ 6.2 billion during the same period a year ago. Investment income payments rose to US\$ 19.9 billion during April-December 2011 as compared with US\$ 18.3 billion a year ago, recording a growth of 8.9 per cent.

## Secondary Income

- Secondary income receipts primarily consisting of private transfers increased by 20.5 per cent at US\$ 49.7 billion during April-December 2011 as compared with US\$ 41.3 billion during April-December 2010.

## Current Account Balance

- During April-December 2011, the CAD widened both in absolute terms as well as a proportion of GDP reflecting mainly widening of trade deficit. The CAD in April-December 2011 at US\$ 53.7 billion was 4.0 per cent of GDP as compared with US\$ 39.6 billion forming 3.3 per cent of GDP in April-December 2010.

## Capital and Financial Account

- Net inflows under capital and financial account (excluding change in foreign exchange reserve assets) were lower at US\$ 47.5 billion in April-December 2011 as compared with US\$ 52.9 billion in the corresponding period of previous year.
- During the first three quarters of 2011-12, there was a net drawdown of reserves (on a BoP basis) to the extent of US\$ 7.1 billion mainly due to widening of the current account deficit as compared to a net accretion of US\$ 11.0 billion recorded in the corresponding period of previous year.

## 3. External Debt for the Quarter ending December 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 December 2011 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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