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Developments in India's Balance of Payments during the Third Quarter (October-December) of 2013-14

Preliminary data on India's balance of payments (BoP) for the third quarter (Q3), *i.e.*, October-December 2013, of the financial year 2013-14, 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 October-December 2013

- India's current account deficit (CAD) narrowed sharply to US\$ 4.2 billion (0.9 per cent of GDP) in Q3 of 2013-14 from US\$ 31.9 billion (6.5 per cent of GDP) in Q3 of 2012-13 which is also lower than US\$ 5.2 billion (1.2 per cent of GDP) in Q2 of 2013-14. The lower CAD was primarily on account of a decline in the trade deficit as merchandise exports picked up and imports moderated, particularly gold imports.
- On a BoP basis, merchandise exports increased by 7.5 per cent to US\$ 79.8 billion in Q3 of 2013-14 (3.9 per cent in Q3 of 2012-13) on the back of significant growth especially in the exports of engineering goods, readymade garments, iron ore, marine products and chemicals.
- On the other hand, merchandise imports at US\$ 112.9 billion, recorded a decline of 14.8 per cent in Q3 of 2013-14 as against an increase of 10.4 per cent in Q3 of 2012-13. Decline in imports in Q3 was primarily led by a steep decline in gold imports, which amounted to US\$ 3.1 billion as compared to US\$ 17.8 billion in Q3 of 2012-13 and US\$ 3.9 billion in Q2 of 2013-14.
- As a result, the merchandise trade deficit (BoP basis) contracted by around 43 per cent to US\$ 33.2 billion in Q3 of 2013-14 from US\$ 58.4 billion a year ago.
- Net services receipts improved during Q3 of 2013-14, essentially reflecting a decline in payments on account of services imports. Net services at US\$ 18.1 billion recorded a growth of 8.9 per cent in Q3 of 2013-14 (y-o-y).
- Net outflow on account of primary income (profit, dividend and interest) amounting to US\$ 5.4 billion in Q3 of 2013-14 was relatively lower than that in the corresponding quarter (US\$ 5.8 billion) of 2012-13 as well as the preceding quarter (US\$ 6.3 billion). In Q3 of 2013-14, gross private transfer receipts at US\$ 17.3 billion showed an increase of 4.8 per cent (y-o-y).
- In the financial account, on net basis, both foreign direct investment and portfolio investment recorded inflows of US\$ 6.1 billion and US\$ 2.4 billion, respectively in Q3 of 2013-14. Within portfolio investment, the debt segment showed net outflow in Q3 which, however, was offset by higher net inflows of US\$ 6.2 billion under the category of equity.
- 'Loans'(net) availed by deposit taking corporations (commercial banks) witnessed an outflow of US\$ 5.9 billion in Q3 of 2013-14 owing to repayments of overseas borrowings and a build-up of their overseas foreign currency assets. Under

'currency & deposits', net inflows of NRI deposits amounted to US\$ 21.4 billion in Q3 of 2013-14 as compared to US\$ 2.7 billion in Q3 of 2012-13. A sharp increase in NRI deposits was on account of fresh FCNR(B) deposits mobilised under the swap scheme offered by the Reserve Bank during September-November 2013. Loans (net) availed by other sectors (*i.e.*, external commercial borrowings) at US\$ 4.1 billion also showed an increase of 42.1 per cent over Q3 of 2012-13. Net flows under trade credits and advances, however, continued to be negative in Q3 of 2013-14 as repayments remained higher than disbursements.

- On a BoP basis, there was a net accretion of US\$ 19.1 billion to India's foreign exchange reserves in Q3 of 2013-14 as compared to a drawdown of US\$ 10.4 billion in the preceding quarter (Table 1).

Developments in India's BoP during April-December 2013

- The turnaround in export growth and decline in imports from July 2013 onwards led to a sharp improvement in the trade deficit to US\$ 116.9 billion in April-December 2013 from US\$ 150.0 billion in April-December 2012.
- Contraction in the trade deficit, coupled with a rise in net invisibles receipts, resulted in a reduction of the CAD to US\$ 31.1 billion (2.3 per cent of GDP) in April-December 2013 from US\$ 69.8 billion (5.2 per cent of GDP) in April-December of 2012.
- Net inflows under the capital and financial account (excluding change in foreign exchange reserves) declined to US\$ 39.7 billion in April-December 2013 from US\$ 68.5 billion in corresponding period of 2012-13 owing to net outflows on account of portfolio investment, higher repayment of loans, and trade credit & advances.
- On BoP basis, foreign exchange reserves increased by US\$ 8.4 billion during April-December 2013 as compared with an accretion of US\$ 1.1 billion in April-December 2012.

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

(US\$ Billion)												
	Oct-Dec 2013 (P)			Oct-Dec 2012 (PR)			Apr-Dec 2013-14 (P)			Apr-Dec 2012-13 (PR)		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	137.7	141.9	-4.2	130.5	162.3	-31.9	407.0	438.2	-31.1	388.2	458.0	-69.8
1. Goods	79.8	112.9	-33.2	74.2	132.6	-58.4	234.9	351.9	-116.9	221.8	371.8	-150.0
<i>Of which:</i>												
POL	14.9	42.2	-27.3	17.3	41.8	-24.5	47.2	125.2	-77.9	44.8	121.8	-77.1
2. Services	37.6	19.5	18.1	37.1	20.4	16.6	110.8	57.5	53.4	107.9	59.9	48.0
3. Primary Income	3.0	8.4	-5.4	2.7	8.5	-5.8	8.6	25.2	-16.6	7.6	23.9	-16.3
4. Secondary Income	17.3	1.0	16.3	16.5	0.8	15.7	52.6	3.6	49.0	50.9	2.3	48.6
B. Capital Account and Financial Account	129.3	124.5	4.8	120.2	89.5	30.8	396.1	364.9	31.3	339.6	272.2	67.4
<i>Of which:</i>												
Change in Reserve (increase (-)/Decrease (+))		19.1	-19.1		0.8	-0.8		8.4	-8.4		1.1	-1.1
C. Errors & Omissions			-0.6			1.1			-0.1			2.4
(-)(A+B)												

P: Preliminary; PR: Partially Revised

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