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Developments in India's Balance of Payments during the Third Quarter (October-December) of 2014-15

Preliminary data on India's balance of payments (BoP) for the third quarter (Q3) *i.e.*, October-December of the financial year 2014-15 are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q3 2014-15

- On a quarter-over-quarter (q-o-q) basis, India's current account deficit (CAD) narrowed to US\$ 8.2 billion (1.6 per cent of GDP) in Q3 of 2014-15 from US\$ 10.1 billion (2.0 per cent of GDP) in Q2; on a year-on-year (y-o-y) basis, however, the CAD doubled (from US\$ 4.2 billion or 0.9 per cent of GDP in Q3 of 2013-14).
- The merchandise trade deficit (US\$ 39.2 billion during Q3 2014-15) widened on a q-o-q basis on account of a larger decline in merchandise exports (7.3 per cent) than in merchandise imports (4.5 per cent); in terms of y-o-y changes too, the trade deficit in Q3 2014-15 widened due to a decline in exports (1.0 per cent), while imports increased (4.5 per cent).
- Thus, the reduction in the CAD in Q3 2014-15 was primarily on account of net exports of services which picked up in q-o-q terms on the back of an improvement in net earnings through travel and software services, and lower net outflows under primary income (profit, dividend and interest).
- Gross private transfer receipts, representing remittances by Indians employed overseas, amounted to US \$ 17.5 billion and provided sustained support to the BoP with a share of 12.6 per cent of current receipts, broadly the same level as in the preceding quarter and a year ago.
- In the financial account, net inflows of foreign direct and portfolio investment were somewhat lower on a q-o-q basis, though net loans availed by banks increased by US\$ 6.6 billion mainly on account of inward repatriations of assets held abroad by banks; on a y-o-y basis, the level of net financial flows was broadly sustained – notwithstanding the inflows of US\$ 21.4 billion garnered in Q3 of 2013-14 under the non-resident deposit schemes – with larger equity inflows relative to loans.
- On a BoP basis, there was a net accretion of US\$ 13.2 billion to India's foreign exchange reserves in Q3 of 2014-15, almost double the accretion in the preceding quarter, but lower than in Q3 of 2013-14 which was bolstered by special non-resident and banks' overseas borrowings (Table 1).

BoP during April-December 2014

- On a cumulative basis, the overall BoP shows considerable improvement on a y-o-y basis on the back of a higher growth in merchandise exports and a marginal rise in merchandise imports, with a sizable increase in net financial flows financing the CAD and enabling a large build-up of reserves.
- India's trade deficit narrowed to US\$ 112.5 billion in April-December 2014 from US\$ 116.9 billion in April-December 2013. Supported by a modest rise in net services receipts, the CAD tracked the trade deficit and shrank to US\$ 26.2 billion in April-December 2014 (1.7 per cent of GDP) from US\$ 31.1 billion in April-December 2013 (2.3 per cent of GDP).
- Net inflows under the capital and financial account (excluding change in foreign exchange reserves) rose to US\$ 61.7 billion in April-December 2014 from US\$ 39.6 billion in April-December 2013.
- There was an accretion to India's foreign exchange reserves to the tune of US\$ 31.3 billion in April-December 2014 as compared with US\$ 8.4 billion in April-December 2013.
- At the end of December, the level of foreign exchange reserves stood at US\$ 320.6 billion.

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

(US\$ Billion)												
	Oct-Dec 2014 (P)			Oct-Dec 2013 (PR)			Apr-Dec 2014-15 P			Apr-Dec 2013-14 (PR)		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	139.0	147.3	-8.2	137.7	141.9	-4.2	422.3	448.4	-26.2	407.0	438.2	-31.1
1. Goods	79.0	118.2	-39.2	79.8	112.9	-33.2	246.0	358.4	-112.5	234.9	351.9	-116.9
<i>Of which:</i>												
POL	14.0	34.2	-20.2	15.4	42.2	-26.8	45.7	116.6	-70.9	48.0	122.2	-74.2
2. Services	39.6	19.4	20.3	37.6	19.5	18.1	115.6	59.2	56.4	110.8	57.5	53.4
3. Primary Income	2.9	8.8	-5.8	3.0	8.4	-5.4	8.3	27.6	-19.4	8.6	25.2	-16.6
4. Secondary Income	17.5	0.9	16.6	17.3	1.0	16.3	52.5	3.2	49.3	52.6	3.6	49.0
B. Capital Account and Financial Account	122.9	112.9	10.0	129.3	124.5	4.8	403.5	373.1	30.5	396.1	364.9	31.3
<i>Of which:</i>												
Change in Reserve (Increase (-)/Decrease (+))	0.0	13.2	-13.2	0.0	19.1	-19.1	0.0	31.3	-31.3	10.7	19.1	-8.4
C. Errors & Omissions (-) (A+B)	0.0	1.8	-1.8	0.0	0.6	-0.6	0.0	4.3	-4.3	0.9	1.0	-0.1

P: Preliminary; PR: Partially Revised

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