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## Developments in India's Balance of Payments during the Fourth quarter (January-March 2011) of 2010-11

Preliminary data on India's balance of payments (BoP) for the fourth quarter (Q4), i.e., January-March 2011 of the financial year 2010-11, are now available. These preliminary data and the partially revised data for the first three quarters i.e., April-June 2010 (Q1), July-September 2010 (Q2) and October-December 2010 (Q3) have been taken into account for compiling the BoP data for April-March 2010-11. 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 January-March 2011 (Q4) of 2010-11

During Q4 of 2010-11, moderation in trade deficit, resulting from higher growth in merchandise exports than imports, coupled with turnaround in net invisibles surplus led to significant contraction in current account deficit (CAD).

- On a BoP basis, exports recorded a growth of 47.1 per cent while imports registered a growth of 27.4 per cent, year-on-year, during Q4 of 2010-11.
- The trade deficit on BoP basis, in absolute terms, amounted to US\$ 29.9 billion, which was marginally lower than the corresponding quarter of the previous year (US\$ 31.6 billion).
- Net services recorded a growth of 71.5 per cent (as against a decline of 29.7 per cent a year ago) mainly due to strong growth in receipts led by travel, transportation, software, business and financial services.
- While net private transfer receipts remained buoyant at US\$ 13.8 billion there has been net outflow on account of investment income.
- Consequently, net invisibles balance under reference showed an increase of 30.4 per cent (as against a decline of 5.4 per cent a year ago).
- The CAD at US\$ 5.4 billion has been lower compared to the earlier quarters during the year as well as to the corresponding quarter of the previous year.
- Primarily on account of lower foreign direct investment (FDI) and portfolio inflows, capital account surplus witnessed moderation during the quarter. Inflows under external assistance and short-term trade credits were also lower.
- The capital account surplus, however, exceeded the current account deficit and there was a net accretion to foreign exchange reserves of US\$ 2.0 billion during the quarter.

## Major Highlights of BoP during April-March 2010-11

During the year as a whole i.e. April-March 2010-11, despite improvement in net invisibles surplus, higher trade deficit led to increase in absolute size of current account deficit. However, as a proportion of GDP, CAD was marginally lower than the preceding year.

- In absolute terms, on BoP basis, the trade deficit widened to US\$ 130.5 billion (7.5 per cent of GDP) during 2010-11 from US\$ 118.4 billion (8.6 per cent of GDP) a year ago.
- Net invisibles earnings increased to US\$ 86.2 billion from US\$ 80.0 billion last year.
- The CAD at US\$ 44.3 billion works out to 2.6 per cent of GDP during 2010-11 as compared to US\$ 38.4 billion (2.8 per cent of GDP) a year ago.
- Net capital inflows increased to US\$ 59.7 billion mainly driven by external assistance, short-term trade credits, ECBs and banking capital.
- Although net capital inflows were higher, accretion to foreign exchange reserves during 2010-11 was marginally lower as a larger share of increased flows was absorbed by the widened current account deficit.

### 1. Balance of Payments for January-March 2011 (Q4) of 2010-11

The major items of the BoP for the fourth quarter (Q4) 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		January-March	
	2009-10 (PR)	2010-11 (PR)	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	8	9
1. Exports	39.2	55.3	43.4	52.0	47.2	65.9	52.5	77.2
2. Imports	65.4	87.2	73.0	89.3	78.1	97.4	84.1	107.1
3. Trade Balance (1-2)	-26.3	-31.9	-29.6	-37.3	-30.9	-31.5	-31.6	-29.9
4. Invisibles, net	22.1	19.8	20.4	20.5	18.7	21.5	18.8	24.5
5. Current Account Balance (3+4)	-4.2	-12.1	-9.2	-16.8	-12.2	-10.0	-12.8	-5.4
6. Capital Account Balance*	4.3	15.8	18.6	20.1	14.0	14.0	15.0	7.4
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	-0.1	-3.7	-9.4	-3.3	-1.8	-4.0	-2.1	-2.0
*: 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.								

### Merchandise Trade

During Q4 of 2010-11, growth in merchandise exports picked up significantly while there has been considerable moderation in growth of merchandise imports.

- On a BoP basis, India's merchandise exports recorded a growth of 47.1 per cent, year-on-year, during Q4 of 2010-11 as compared with a growth of 36.4 per cent during corresponding quarter of 2009-10. Similarly, on a BoP basis, merchandise imports registered a growth of 27.4 per cent, year-on-year, during

the quarter as compared with a growth of 43.3 per cent during same quarter last year.

- Thus, the trade deficit in absolute terms narrowed down to US\$ 29.9 billion as compared with US\$ 31.6 billion during the corresponding quarter of last year.

### **Invisibles**

Similar to merchandise trade during Q4 of 2010-11, there has been significant pick up in the growth of invisibles receipts and considerable moderation in growth of invisibles payments resulting in turnaround in net invisibles compared to Q4 of preceding year.

- Invisibles receipts recorded a growth of 19.7 per cent (as compared with an increase of 13.6 per cent last year) largely driven by services exports.
- Services exports rose by 27.5 per cent (as compared with an increase of 10.8 per cent a year ago) mainly led by travel, transportation, software, business and financial services.
- Similarly, Private transfer receipts increased by 11.3 per cent to US\$ 14.6 billion during the quarter (US\$ 13.1 billion a year ago).
- Investment income receipts, however, declined further by 25.9 per cent during the quarter (a decline of 23.5 per cent a year ago).
- Invisibles payments recorded a slower growth of 11.7 per cent (as compared with a growth of 33.8 per cent a year ago) driven by slower growth under services payments.
- Services payments increased by 8.3 per cent during the quarter (48.2 per cent a year ago) mainly due to travel and miscellaneous services *viz.*, business and financial services.
- Consequently, net invisibles (invisibles receipts minus invisibles payments) increased by 30.4 per cent (as against a decline of 5.4 per cent a year ago) to US\$ 24.5 billion.

With higher growth in exports *vis-à-vis* imports and turnaround in net invisibles, the current account deficit moderated to US\$ 5.4 billion from US\$ 12.8 billion a year ago.

### **Capital Account**

The size of overall net capital flows was significantly lower at US\$ 8.2 billion during the quarter (US\$ 15.8 billion a year ago) as the higher net inflows under ECBs and NRI deposits were offset by the moderation in FDI, external assistance and net outflows under FIIs.

- Net FDI inflows to India (inward FDI minus outward FDI) moderated to US\$ 0.6 billion during Q4 of 2010-11 as compared to US\$ 3.4 billion in the corresponding quarter of last year. Lower net FDI was mainly on account of moderation in the gross FDI inflows and significant increase in the overseas investment by Indian corporates.
- Net ECBs were significantly higher at US\$ 2.4 billion during the quarter (US\$ 0.4 billion last year) reflecting sustained domestic economic activities and favourable interest rate differentials.

- Despite surge in the inflows under the NRI deposits to the tune of 0.9 billion (as against an outflow of 0.6 billion a year ago), banking capital of commercial banks recorded a higher net outflows of US\$ 1.8 billion during the quarter (as compared with net outflows of US\$ 0.9 billion a year ago) mainly due to build-up of foreign assets by commercial banks.
- Although there has been moderation in the current account deficit, lower capital account surplus led to marginally lower net accretion to foreign exchange reserves of US\$ 2.0 billion during the quarter (US\$ 2.1 billion a year ago). In nominal terms (i.e., including valuation changes), foreign exchange reserves increased by US\$ 7.5 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-March 2010-11

- On a BoP basis, the trade deficits widened to US\$ 130.5 billion during 2010-11 (US\$ 118.4 billion during 2009-10) mainly due to higher absolute increase in imports relative to exports on the back of robust domestic economic performance (Table 2).
- Net invisibles surplus increased to US\$ 86.2 billion during 2010-11 (US\$ 80.0 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 37.8 per cent during 2010-11 (as against a decline of 9.6 during the preceding year)
- Invisibles payments increased by 33.6 per cent during 2010-11 mainly reflecting higher services payments, which recorded a growth of 40.4 per cent (as compared with an increase of 15.3 per cent a year ago).

<b>Table 2: Major Items of India's Balance of Payments</b>			
(US \$ billion)			
Item	April-March		
	2008-09 (R)	2009-10 (PR)	2010-11(P)
1	2	3	4
1. Exports	189.0	182.2	250.5
2. Imports	308.5	300.6	380.9 <sup>1</sup>
3. Trade Balance (1-2)	-119.5	-118.4	-130.5
4. Invisibles, net	91.6	80.0	86.2
5. Current Account Balance (3+4)	-27.9	-38.4	-44.3
6. Capital Account Balance*	7.8	51.8	57.3
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	20.1	-13.4	-13.1
*: Including errors and omissions. #: On BoP basis (i.e., excluding valuation). R: Revised. P: Preliminary. PR: Partially Revised.			

<sup>1</sup> Import estimates for the year 2010-11, as per BoP basis, are higher than DGCI&S estimates of US\$ 357 billion. DGCI&S is in the process of revising their import numbers for the year 2010-11 and the gap between BoP (RBI) and DGCI&S import estimates is likely to get reduced.

- Private transfer receipts net of payments, also recorded a marginal increase during 2010-11 to US\$ 53.4 billion (US\$ 52.1 billion a year ago) (Table 3).

<b>Table 3: Invisibles Gross Receipts and Payments</b>								
(US\$ billion)								
Item	Invisibles Receipts				Invisibles Payments			
	April-March		January-March		April-March		January-March	
	2009-10 (PR)	2010-11 (P)	2009-10 (PR)	2010-11 (P)	2009-10 (PR)	2010-11 (P)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5	6	7	8	9
<b>A. Services (1 to 5)</b>	<b>95.8</b>	<b>132.0</b>	<b>27.8</b>	<b>35.5</b>	<b>60.0</b>	<b>84.3</b>	<b>19.4</b>	<b>21.0</b>
1.Travel	11.9	15.3	3.4	4.5	9.3	11.2	2.6	3.2
2.Transportation	11.2	14.3	3.1	4.1	11.9	13.9	3.6	3.2
3.Insurance	1.6	1.9	0.4	0.6	1.3	1.4	0.3	0.3
4.GNIE	0.4	0.5	0.1	0.2	0.5	0.8	0.2	0.3
5.Miscellaneous	70.7	99.9	20.8	26.1	36.9	57.0	12.7	13.9
<i>Of Which:</i>								
<i>Software</i>	49.7	59.0	14.3	17.0	1.5	2.2	0.3	0.3
<i>Non-Software</i>	21.0	40.9	6.5	9.1	35.4	54.8	12.4	13.6
<b>B. Transfers</b>	<b>54.6</b>	<b>56.5</b>	<b>13.2</b>	<b>14.7</b>	<b>2.3</b>	<b>3.1</b>	<b>0.6</b>	<b>0.9</b>
<i>Private</i>	53.9	55.9	13.1	14.6	1.8	2.5	0.5	0.7
<i>Official</i>	0.7	0.6	0.1	0.1	0.5	0.6	0.1	0.2
<b>C. Income</b>	<b>13.0</b>	<b>9.1</b>	<b>2.7</b>	<b>2.2</b>	<b>21.1</b>	<b>24.0</b>	<b>5.0</b>	<b>6.0</b>
<i>Investment Income</i>	12.1	8.0	2.5	1.8	19.4	21.9	4.5	5.5
<i>Compensation of Employees</i>	0.9	1.1	0.2	0.4	1.7	2.1	0.5	0.6
<b>Invisibles (A+B+C)</b>	<b>163.4</b>	<b>197.6</b>	<b>43.7</b>	<b>52.4</b>	<b>83.4</b>	<b>111.4</b>	<b>25.0</b>	<b>27.9</b>

P: Preliminary.

PR: Partially Revised,

- Net investment income receipts, however, declined to (-) US\$ 13.9 billion during 2010-11 ((-)US\$ 7.2 billion a year ago).
- Despite improvement in net invisibles surplus, the current account deficit widened during 2010-11 to US\$ 44.3 billion (US\$ 38.4 billion a year ago) mainly due to higher trade deficit.
- Net capital inflows recorded a moderate increase to US\$ 59.7 billion during 2010-11 (US\$ 53.4 billion a year ago) driven by higher net inflows under external assistance, short-term trade credits, ECBs and banking capital (Table 4).
- Notwithstanding higher level of net capital inflows, accretion to reserves (on a BoP basis) during 2010-11 was marginally lower as compared to the previous year mainly due to widening of the current account deficit.

<b>Table 4: Net Capital Flows</b>				
(US\$ billion)				
Item	April-March		January-March	
	2009-10 (PR)	2010-11 (P)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5
1. Foreign Direct Investment	18.8	7.1	3.4	0.6
Inward FDI	33.1	23.4	6.1	4.9
Outward FDI	-14.4	-16.2	-2.7	-4.3
2. Portfolio Investment	32.4	30.3	8.8	0.2
<i>Of which:</i>				
FIIs	29.0	29.4	8.5	-0.03
ADR/GDRs	3.3	2.0	0.1	0.2
3. External Assistance	2.9	4.9	1.0	0.8
4. External Commercial Borrowings	2.8	11.9	0.4	2.4
5. NRI Deposits	2.9	3.2	-0.6	0.9
6. Banking Capital excluding NRI Deposits	-0.8	1.7	-1.5	-1.7
7. Short-term Trade Credits	7.6	11.0	4.5	2.7
8. Rupee Debt Service	-0.1	-0.1	-0.1	-0.1
9. Other Capital	-13.0	-10.4	-1.2	2.4
<b>Total (1 to 9)</b>	<b>53.4</b>	<b>59.7</b>	<b>15.8</b>	<b>8.2</b>
P: Preliminary. PR: Partially Revised.				

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

As per the existing practice, the external debt for the quarters ending March and June are compiled and released by the Reserve Bank, 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 March 2011 are being released by the Reserve Bank of India today. The same could be accessed at <http://www.rbi.org.in>.

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