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## Developments in India's Balance of Payments during the First Quarter (April-June) of 2014-15

Preliminary data on India's balance of payments (BoP) for the first quarter (Q1), *i.e.*, April-June, of the financial year 2014-15, 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 April-June 2014

- India's current account deficit (CAD) narrowed sharply to US\$ 7.8 billion (1.7 per cent of GDP) in Q1 of 2014-15 from US\$ 21.8 billion (4.8 per cent of GDP) in Q1 of 2013-14. However, it was higher than US\$ 1.2 billion (0.2 per cent of GDP) in Q4 of 2013-14. The lower CAD was primarily on account of a contraction in the trade deficit contributed by both a rise in exports and a decline in imports.
- On a BoP basis, merchandise exports at US\$ 81.7 billion increased by 10.6 per cent in Q1 of 2014-15 as against a decline of 1.5 per cent in Q1 of 2013-14.
- On the other hand, merchandise imports (on BoP basis) at US\$ 116.4 billion moderated by 6.5 per cent in Q1 of 2014-15 as against an increase of 4.7 per cent in Q1 of 2013-14. Decline in imports was primarily led by a steep decline of 57.2 per cent in gold imports, which amounted to US\$ 7.0 billion, significantly lower than US\$ 16.5 billion in Q1 of 2013-14. Notably, non-gold imports recorded a modest rise of 1.3 per cent as against decline of 0.6 per cent in corresponding quarter of last year reflecting some revival in economic activity.
- As a result, the merchandise trade deficit (BoP basis) contracted by about 31.4 per cent to US\$ 34.6 billion in Q1 of 2014-15 from US\$ 50.5 billion in the corresponding quarter a year ago.
- Net services receipts improved marginally in Q1 of 2014-15 on account of higher exports of services. Net services at US\$ 17.1 billion recorded a growth of 1.2 per cent in Q1 of 2014-15.
- Net outflow on account of primary income (profit, dividend and interest) amounting to US\$ 6.7 billion in Q1 of 2014-15 was higher than that of US\$ 4.8 billion in the Q1 of 2013-14 as well as in the preceding quarter (US\$ 6.4 billion). In Q1 of 2014-15, gross private transfer receipts at US\$ 17.5 billion, however, were marginally lower as compared with the corresponding quarter of 2013-14. In fact, in Q1 of 2013-14, private transfers had shown a significant increase of around 6 per cent over the preceding quarter, possibly responding positively to the rupee depreciation.

- In the financial account, on net basis, both foreign direct investment and portfolio investment recorded inflows in Q1 of 2014-15. While net inflow on account of portfolio investment was US\$ 12.4 billion as against an outflow of US\$ 0.2 billion in Q1 of 2013-14, net FDI inflow was substantially higher at US\$ 8.2 billion (US\$ 6.5 billion in Q1 of 2013-14).
- 'Loans'(net) availed by deposit taking corporations (commercial banks) witnessed an outflow of US\$ 2.6 billion in Q1 of 2014-15 owing to higher 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\$ 2.4 billion in Q1 of 2014-15 as compared to US\$ 5.5 billion in Q1 of 2013-14. The amount of loans (net) of other sectors (*i.e.*, external commercial borrowings) at US\$ 1.7 billion was much higher than US\$ 0.9 billion in Q1 of 2013-14. After recording a net outflow in the three preceding quarters, net trade credits and advances recorded a net inflow of US\$ 0.2 billion *albeit* lower than that of US\$ 2.5 billion in Q1 of 2013-14.
- On a BoP basis, there was a net accretion of US\$ 11.2 billion to India's foreign exchange reserves in Q1 of 2014-15 as against a drawdown of US\$ 0.3 billion in Q1 of 2013-14 (Table 1).

<b>Table 1: Major Items of India's Balance of Payments</b>						
(US\$ Billion)						
	<b>Apr-Jun 2014 (P)</b>			<b>Apr-Jun 2013 (PR)</b>		
	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	139.2	147.0	-7.8	130.9	152.7	-21.8
1. Goods	81.7	116.4	-34.6	73.9	124.4	-50.5
<i>Of which:</i>						
POL	15.8	40.8	-25.0	14.2	39.2	-25.0
2. Services	37.6	20.5	17.1	36.5	19.7	16.9
3. Primary Income	2.3	9.0	-6.7	2.5	7.4	-4.8
4. Secondary Income	17.6	1.1	16.4	18.0	1.3	16.7
B. Capital Account and Financial Account	147.3	138.6	8.6	135.1	114.2	20.9
<i>Of which:</i>						
Change in Reserve (Increase (-)/Decrease (+))		11.2	-11.2	0.3		0.3
C. Errors & Omissions (-) (A+B)			-0.8			0.9
P: Preliminary; PR: Partially Revised Note: Total of subcomponents may not tally with aggregate due to rounding off.						