



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Developments in India's Balance of Payments during the First Quarter (April-June) of 2010-11

Preliminary data on India's balance of payments (BoP) for the first quarter (Q1) *i.e.*, April-June 2010 of the financial year 2010-11, are now available. The details of these data are set out in the standard format of BoP presentation in [Statements I](#) and [II](#).

Major Highlights of BoP

- (i) Exports recorded a growth of 37.2 per cent during Q1 of 2010-11, on a year-on-year basis, as against a decline of 31.8 per cent during Q1 of 2009-10.
- (ii) Imports registered a growth of 35.7 per cent during Q1 of 2010-11 as against a decline of 21.7 per cent during Q1 of 2009-10.
- (iii) Despite higher growth in exports relative to imports, the trade deficit widened during Q1 of 2010-11.
- (iv) Services receipts recorded a growth of 22.5 per cent, on a year-on-year basis, led by travel, transportation, software, business and financial services.
- (v) Private transfer receipts continued to be robust during Q1 of 2010-11.
- (vi) Net invisibles, however, declined owing to relatively higher invisibles payments driven particularly by higher payments under investment income and also by larger payments on account of travel, transportation, business and financial services.
- (vii) The higher trade deficit combined with the lower invisibles surplus resulted in the widening of current account deficit during Q1 of 2010-11.
- (viii) The capital account surplus increased significantly, over the corresponding quarter of last year, mainly due to short-term credit, external commercial borrowings (ECBs), external assistance and banking capital.
- (ix) Net foreign investment, however, was much lower than the corresponding quarter of last year mainly due to significant moderation in net inflows under foreign institutional investors (FIIs) investments. Net inflows under foreign direct investment (FDI) were also lower during the Q1 of 2010-11.
- (x) With capital account surplus being higher than the current account deficit, the overall balance was in surplus at US\$ 3.7 billion, which resulted in a net accretion to foreign exchange reserves of equivalent amount during the Q1 of 2010-11.

1. Balance of Payments for April-June (Q1) of 2010-11

The major items of the BoP for the first quarter (Q1) of 2010-11 are set out below in Table 1.

Table 1: Major Items of India's Balance of Payments				
(US\$ billion)				
Item	April-March		April-June	
	2008-09 (PR)	2009-10 (P)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5
1. Exports	189.0	182.2	39.2	53.7
2. Imports	307.7	299.5	64.8	87.9
3. Trade Balance (1-2)	-118.7	-117.3	-25.6	-34.2
4. Invisibles, net	89.9	78.9	21.2	20.5
5. Current Account Balance (3+4)	-28.7	-38.4	-4.5	-13.7
6. Capital Account Balance*	8.6	51.9	4.6	17.5
7. Change in Reserves# (-Indicates increase;+ indicates decrease)	20.1	-13.4	-0.1	-3.7

*: Including errors and omissions. #: On BoP basis (*i.e.*, excluding valuation).
P: Preliminary. PR: Partially Revised.

- (i) On a BoP basis, India's merchandise exports recorded a growth of 37.2 per cent, on a year-on-year basis, in Q1 of 2010-11 as against a decline of 31.8 per cent in Q1 of 2009-10.
- (ii) Merchandise imports registered a growth of 35.7 per cent during Q1 of 2010-11 as against a decline of 21.7 per cent during Q1 of 2009-10.
- (iii) Notwithstanding higher growth in exports relative to imports, the trade deficit, on a BoP basis, was higher at US\$ 34.2 billion in Q1 of 2010-11 as compared with US\$ 25.6 billion during Q1 of 2009-10.
- (iv) Invisibles receipts recorded a growth of 13.6 per cent, on year-on-year basis, during Q1 of 2010-11 (as against a decline of 4.6 per cent during Q1 of 2009-10) mainly led by services exports.
- (v) Services exports registered a growth of 22.5 per cent (as against a decline of 7.5 per cent a year ago) led by travel and transportation as well as miscellaneous services such as software, business and financial services.
- (vi) Private transfer receipts increased moderately by 3.0 per cent (as compared with the growth of 5.1 per cent a year ago) to US\$ 13.7 billion during Q1 of 2010-11.
- (vii) Investment income receipts declined marginally by 3.5 per cent during the quarter (as against a sharper decline of 20.3 per cent a year ago) mainly due to persistence of lower interest rates abroad.
- (viii) Invisibles payments recorded a growth of 35.5 per cent (as against a decline of 5.7 per cent a year ago) mainly due to higher payments under investment income and also on account of higher payments under travel, transportation, business and financial services (Table 2).

Table 2: Invisibles Gross Receipts and Payments								
(US\$ billion)								
Item	Invisibles Receipts				Invisibles Payments			
	April-March		April-June		April-March		April-June	
	2008-09 (PR)	2009-10 (P)	2009-10 (PR)	2010-11 (P)	2008-09 (PR)	2009-10 (P)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5	6	7	8	9
A. Services (1 to 5)	101.7	93.8	21.3	26.1	52.0	59.6	10.9	16.1
1.Travel	10.9	11.9	2.3	3.0	9.4	9.3	2.0	2.3
2.Transportation	11.3	11.1	2.5	3.1	12.8	11.9	2.8	3.1
3.Insurance	1.4	1.6	0.4	0.4	1.1	1.3	0.3	0.3
4.Govt. not included elsewhere	0.4	0.4	0.1	0.1	0.8	0.5	0.1	0.1
5.Miscellaneous	77.7	68.7	16.0	19.6	27.9	36.5	5.7	10.2
<i>Of Which:</i>								
<i>Software</i>	46.3	49.7	11.0	12.7	2.8	1.5	0.4	0.6
<i>Non-Software</i>	31.4	19.0	5.0	6.9	25.1	35.0	5.3	9.6
B. Transfers	47.5	54.4	13.3	13.8	2.7	2.3	0.5	0.7
<i>Private</i>	46.9	53.9	13.3	13.7	2.3	1.8	0.4	0.6
<i>Official</i>	0.6	0.5	0.1	0.1	0.4	0.5	0.1	0.1
C. Income	14.3	13.0	3.0	2.9	18.8	20.4	5.0	5.5
<i>Investment Income</i>	13.5	12.1	2.7	2.6	17.5	18.7	4.7	5.0
<i>Compensation of Employees</i>	0.8	0.9	0.2	0.2	1.3	1.7	0.4	0.5
Invisibles (A+B+C)	163.5	161.2	37.6	42.7	73.6	82.3	16.4	22.3

P: Preliminary.

PR: Partially Revised.

- (ix) As growth in invisibles payments was higher than the growth in receipts, net invisibles (invisibles receipts minus invisibles payments) recorded a moderate decline of 3.4 per cent to US\$ 20.5 billion during the quarter (US\$ 21.2 billion during Q1 of 2009-10).
- (x) The lower size of invisibles surplus coupled with a higher trade deficit resulted in an increase in current account deficit during Q1 of 2010-11 to US\$ 13.7 billion (US\$ 4.5 billion during Q1 of 2009-10).
- (xi) The continued buoyancy in capital inflows mainly led by large inflows under short-term credit, external commercial borrowings and external assistance as well as banking capital, resulted in a net capital account surplus of US\$ 18.4 billion during Q1 of 2010-11 as compared with a lower surplus of US\$ 4.0 billion during Q1 of 2009-10.
- (xii) Short-term trade credit to India recorded a large net inflow of US\$ 5.6 billion in Q1 of 2010-11 (as against a net outflow of US\$ 1.5 billion during Q1 of 2009-10) in line with increase in imports associated with strong domestic economic activity and improved conditions in the global financial markets.
- (xiii) Net ECBs were significantly higher at US\$ 2.7 billion during the quarter (as against a decline of US\$ 0.4 billion in Q1 of 2009-10) mainly due to higher disbursements of commercial loans to India coupled with lower repayments.
- (xiv) Banking capital recorded net inflows of US\$ 4.0 billion during the quarter (as against net outflows of US\$ 3.4 billion in Q1 of 2009-10) mainly due to net inflows under Non-resident Indian (NRI) deposits and overseas foreign currency borrowings of banks. The drawdown of foreign assets of commercial banks also contributed to the increase in inflows.

- (xv) Net FDI flows (net inward FDI minus net outward FDI) amounted to US\$ 3.2 billion during the quarter (almost half of the level in Q1 of 2009-10) mainly due to lower net inward FDI (at US\$ 6.0 billion in Q1 of 2010-11 as compared with US\$ 8.7 billion in Q1 of 2009-10). Net outward FDI was marginally higher at US\$ 2.8 billion (US\$ 2.6 billion in Q1 of 2009-10).
- (xvi) The deceleration in FDI to India was mainly on account of lower FDI inflows under construction, real estate, business and financial services.
- (xvii) Net portfolio investments were also significantly lower at US\$ 4.6 billion during the quarter (US\$ 8.3 billion during Q1 of 2009-10), mainly due to deceleration in net FII flows largely on account of risk aversion by global investors following the sovereign debt crisis in the euro zone countries (Table 3).
- (xviii) There was an increase in foreign exchange reserves on BoP basis (i.e., excluding valuation) of US\$ 3.7 billion during Q1 of 2010-11 as compared with a marginal increase of US\$ 0.1 billion in Q1 of 2009-10. In nominal terms (i.e., including valuation changes), foreign exchange reserves declined by US\$ 3.3 billion during the quarter reflecting appreciation of US dollar against major international currencies during the quarter [A Press Release on the Sources of Variation in Foreign Exchange Reserves is separately issued].

Table 3: Net Capital Flows				
(US \$ billion)				
Item	April-March		April-June	
	2008-09 (PR)	2009-10 (P)	2009-10 (PR)	2010-11 (P)
1	2	3	4	5
1. Foreign Direct Investment	17.5	19.7	6.1	3.2
Inward FDI	35.0	31.7	8.7	6.0
Outward FDI	17.5	12.0	2.6	2.8
2. Portfolio Investment	-14.0	32.4	8.3	4.6
<i>Of which:</i>				
FIIs	-15.0	29.0	8.2	3.5
ADR/GDRs	1.2	3.3	0.04	1.1
3. External Assistance	2.6	2.0	0.1	2.3
4. External Commercial Borrowings	7.9	2.5	-0.5	2.7
5. NRI Deposits	4.3	2.9	1.8	1.1
6. Banking Capital excluding NRI Deposits	-7.5	-0.8	-5.2	2.9
7. Short-term Trade Credits	-1.9	7.7	-1.5	5.6
8. Rupee Debt Service	-0.1	-0.1	-0.02	-0.02
9. Other Capital	-1.5	-12.7	-5.2	-3.9
Total (1 to 9)	7.2	53.6	4.0	18.4

P: Preliminary. PR: Partially Revised.

2. Select Key External Sector Indicators

- (i) The details of key external sector indicators are set out in Table 4.

Table 4: Key Indicators of India's Balance of Payments

Item	April-March		April-June	
	2008-09 (PR)	2009-10 (P)	2009-10 (PR)	2010-11 (P)
Merchandise Trade				
1. Exports (US \$ on BoP basis) Growth Rate (%)	13.7	-3.6	-31.8	37.2
2. Imports (US \$ on BoP basis) Growth Rate (%)	19.4	-2.7	-21.7	35.7
3. Crude Oil Prices US \$ Per Barrel (Indian Basket)	82.7	69.6	59.1	78.2
4. Exports/ GDP (%)	15.6	13.9	-	-
5. Imports/ GDP (%)	25.4	22.8	-	-
6. Trade Balance/ GDP (%)	-9.8	-8.9	-	-
Invisibles				
7. Net Invisibles (US \$ billion)	89.9	78.9	21.2	20.5
8. Net Invisible Surplus / Trade Deficit (%)	75.8	67.3	82.6	59.8
9. Net Invisibles/ GDP (%)	7.4	6.0	-	-
Current Account				
10. Current Account Balance (US \$ billion)	-28.7	-38.4	-4.5	-13.7
11. Current Account Balance / GDP (%)	-2.4	-2.9	-	-
Capital Account				
12. Gross Capital Inflows (US\$ billion)	312.4	344.0	77.1	95.3
13. Gross Capital Outflows (US\$ billion)	305.2	290.4	73.1	76.9
14. Net Capital Flows (US \$ billion)	7.2	53.6	4.0	18.4
15. Net Capital Inflows / GDP (%)	0.6	4.1	-	-
Openness Indicators				
16. Exports plus Imports of Goods / GDP (%)	41.0	36.7	-	-
17. Current Receipts plus Current Payments / GDP (%)	60.5	55.2	-	-
18. Gross Capital Inflows plus Outflows / GDP (%)	51.0	48.3	-	-
Reserves				
19. Import Cover of Reserves (in months)	9.8	11.2	11.0	10.3
20. Outstanding Reserves as at end period (US \$ billion)	252.0	279.1	265.1	275.7
PR: Partially Revised. P: Preliminary.				

3. External Debt for the Quarter ending June 2010

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 June 2010 are being released by the Reserve Bank of India today.

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