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Developments in India's Balance of Payments during the Second Quarter (July-September) of 2018-19

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2), *i.e.*, July-September 2018-19, are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q2 of 2018-19

- India's current account deficit (CAD) at US\$ 19.1 billion (2.9 per cent of GDP) in Q2 of 2018-19 increased from US\$ 6.9 billion (1.1 per cent of GDP) in Q2 of 2017-18 and US\$ 15.9 billion (2.4 per cent of GDP) in the preceding quarter.
- The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit at US\$ 50.0 billion as compared with US\$ 32.5 billion a year ago.
- Net services receipts increased by 10.2 per cent on a y-o-y basis mainly on the back of a rise in net earnings from software and financial services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US\$ 20.9 billion, increasing by 19.8 per cent from their level a year ago.
- In the financial account, net foreign direct investment at US\$ 7.9 billion in Q2 of 2018-19 moderated from US\$ 12.4 billion in Q2 of 2017-18.
- Portfolio investment recorded net outflow of US\$ 1.6 billion in Q2 of 2018-19 – as compared with an inflow of US\$ 2.1 billion in Q2 last year – on account of net sales in both the debt and equity markets.
- Net receipts on account of non-resident deposits increased to US\$ 3.3 billion in Q2 of 2018-19 from US\$ 0.7 billion a year ago.
- In Q2 of 2018-19, there was a depletion of US\$ 1.9 billion of the foreign exchange reserves (on BoP basis) as against an accretion of US\$ 9.5 billion in Q2 of 2017-18 (Table 1).

BoP during April-September 2018 (H1 of 2018-19)

- The CAD increased to 2.7 per cent of GDP in H1 of 2018-19 from 1.8 per cent in H1 of 2017-18 on the back of widening of the trade deficit.
- India's trade deficit increased to US\$ 95.8 billion in H1 of 2018-19 from US\$ 74.4 billion in H1 of 2017-18.
- Net invisible receipts were higher in H1 of 2018-19 mainly due to increase in net services earnings and private transfer receipts.
- Net FDI inflows in H1 of 2018-19 moderated to US\$ 17.7 billion from US\$ 19.6 billion in H1 of 2017-18.

- Portfolio investment recorded a net outflow of US\$ 9.8 billion in H1 of 2018-19 as against an inflow of US\$ 14.5 billion a year ago.
- In H1 of 2018-19, there was a depletion of US\$ 13.2 billion of the foreign exchange reserves (on a BoP basis).

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

(US\$ Billion)

	July-September 2018 P			July-September 2017			April-September 2018-19 P			April-September 2017-18		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	160.0	179.1	-19.1	145.5	152.4	-6.9	315.7	350.7	-35.0	285.4	307.3	-21.9
1. Goods	83.4	133.4	-50.0	76.1	108.5	-32.5	166.8	262.6	-95.8	149.2	223.6	-74.4
<i>Of which:</i>												
POL	12.1	35.2	-23.1	9.0	23.7	-14.6	23.5	69.9	-46.5	16.5	46.5	-30.0
2. Services	50.1	29.8	20.2	47.4	29.0	18.4	98.3	59.3	38.9	93.3	56.6	36.7
3. Primary Income	5.6	14.3	-8.7	4.5	13.0	-8.6	11.0	25.5	-14.6	9.2	23.6	-14.4
4. Secondary Income	20.9	1.5	19.4	17.5	1.8	15.7	39.7	3.3	36.4	33.7	3.5	30.2
B. Capital Account and Financial Account	131.1	112.9	18.2	147.1	139.7	7.4	273.7	238.8	34.9	302.8	279.9	22.9
<i>Of which:</i>												
Change in Reserves (Increase (-)/Decrease (+))	1.9	0.0	1.9	0.0	9.5	-9.5	13.2	0.0	13.2	0.0	20.9	-20.9
C. Errors & Omissions (-) (A+B)	0.9		0.9		0.4	-0.4	0.1		0.1		1.0	-1.0
P: Preliminary												
Note: Total of subcomponents may not tally with aggregate due to rounding off.												

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