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**Developments in India's Balance of Payments during the Second Quarter
(July-September) of 2016-17**

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2) *i.e.*, July-September 2016-17 are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q2 of 2016-17

- India's current account deficit (CAD) at US\$ 3.4 billion (0.6 per cent of GDP) in Q2 of 2016-17 was lower than US\$ 8.5 billion (1.7 per cent of GDP) in Q2 of 2015-16 but higher than US\$ 0.3 billion (0.1 per cent of GDP) in the preceding quarter.
- The contraction in the CAD on a year-on-year (y-o-y) basis was primarily on account of a lower trade deficit (US\$25.6 billion) brought about by a larger decline in merchandise imports relative to exports.
- Net services receipts moderated on y-o-y basis, primarily owing to the fall in earnings from software, financial services and charges for intellectual property rights.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US\$ 15.2 billion, having declined by 10.7 per cent from their level a year ago.
- In the financial account, net inflows of both foreign direct investment and portfolio investment were significantly higher in Q2 on a y-o-y basis.
- Non-resident Indian (NRI) deposits declined to US\$ 2.1 billion in Q2 of 2016-17 from US\$ 4.2 billion in Q2 of 2015-16.
- Net loans availed by banks witnessed a net repayment of US\$ 9.0 billion in Q2 of 2016-17 as against net borrowing of US\$ 3.1 billion in Q2 of 2015-16.
- In Q2 of 2016-17, foreign exchange reserves (on BoP basis) increased by US\$ 8.5 billion as against a decline of US\$ 0.9 billion in Q2 of last year (Table 1).

BoP during April-September 2016 (H1 of 2016-17)

- On a cumulative basis, the CAD narrowed to 0.3 per cent of GDP in H1 of 2016-17 from 1.5 per cent in H1 of 2015-16 on the back of the contraction in the trade deficit.
- India's trade deficit narrowed to US\$ 49.5 billion in H1 of 2016-17 from US\$ 71.3 billion in H1 of 2015-16.
- Net invisible receipts were lower, mainly due to moderation in software exports and private transfers and higher outgo on account of primary income (profit, interest and dividends).
- Net FDI inflows during H1 of 2016-17 rose by more than 28.8 per cent over the level during the corresponding period of the previous year.
- Portfolio investment recorded a net inflow of US\$ 8.2 billion during H1 as against a net outflow of US\$ 3.5 billion a year ago.
- In H1 of 2016-17, there was an accretion of US\$ 15.5 billion to foreign exchange reserves.

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

(US\$ Billion)

	July-September 2016 P			July-September 2015			April-September 2016-17 P			April-September 2015-16		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	127.4	130.9	-3.4	127.3	135.8	-8.5	252.6	256.4	-3.7	254.2	268.8	-14.7
1. Goods	67.4	93.1	-25.6	67.6	104.7	-37.2	134.0	183.5	-49.5	135.6	206.9	-71.3
<i>Of which:</i>												
POL	7.8	20.5	-12.7	8.6	23.5	-14.9	14.8	39.5	-24.7	17.0	48.3	-31.3
2. Services	40.5	24.3	16.3	38.7	20.9	17.8	80.1	48.0	32.0	77.0	41.4	35.6
3. Primary Income	4.2	12.2	-7.9	3.9	9.4	-5.5	8.0	22.1	-14.1	7.2	18.6	-11.3
4. Secondary Income	15.2	1.4	13.9	17.1	0.8	16.3	30.5	2.7	27.9	34.3	1.9	32.4
B. Capital Account and Financial Account	139.5	135.3	4.2	127.5	118.5	9.0	268.6	264.3	4.3	268.5	252.4	16.2
<i>Of which:</i>												
Change in Reserve (Increase (-)/Decrease (+))	0.0	8.5	-8.5	0.9	0.0	0.9	0.0	15.5	-15.5	0.9	11.4	-10.6
C. Errors & Omissions (-) (A+B)		0.7	-0.7		0.4	-0.4		0.6	-0.6		1.5	-1.5

P: Preliminary; PR: Partially Revised

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

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