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Developments in India's Balance of Payments during the Second Quarter (July-September) of 2017-18

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2), *i.e.*, July-September 2017-18 are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q2 of 2017-18

- India's current account deficit (CAD) at US\$ 7.2 billion (1.2 per cent of GDP) in Q2 of 2017-18 narrowed sharply from US\$ 15.0 billion (2.5 per cent of GDP) in the preceding quarter, but was substantially higher than US\$ 3.4 billion (0.6 per cent of GDP) in Q2 of 2016-17.
- The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit (US\$ 32.8 billion) brought about by a larger increase in merchandise imports relative to exports.
- Net services receipts increased by 13.1 per cent on a y-o-y basis mainly on the back of a rise in net earnings from software services and travel receipts.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US\$ 17.4 billion, increasing by 14.7 per cent from their level a year ago.
- In the financial account, net foreign direct investment at US\$ 12.4 billion in Q2 of 2017-18 moderated from its level in Q2 of 2016-17.
- Portfolio investment recorded net inflow of US\$ 2.1 billion in Q2 of 2017-18, lower than US\$ 6.1 billion in Q2 last year on account of net sale in the equity market.
- Net receipts on account of non-resident deposits amounted to US\$ 0.7 billion in Q2 of 2017-18, lower than US\$ 2.1 billion a year ago.
- In Q2 of 2017-18, there was an accretion of US\$ 9.5 billion to the foreign exchange reserves (on BoP basis) as compared with US\$ 8.5 billion in Q2 of 2016-17 and US\$ 11.4 billion in the preceding quarter (Table 1).

BoP during April-September 2017 (H1 of 2017-18)

- On a cumulative basis, the CAD increased to 1.8 per cent of GDP in H1 of 2017-18 from 0.4 per cent in H1 of 2016-17 on the back of widening of the trade deficit.
- India's trade deficit increased to US\$ 74.8 billion in H1 of 2017-18 from US\$ 49.4 billion in H1 of 2016-17.
- Net invisible receipts were higher in H1 of 2017-18 mainly due to increase in net services earnings and private transfer receipts.
- Net FDI inflows during H1 of 2017-18 moderated by 6.3 per cent over the level during the corresponding period of the previous year.
- Portfolio investment recorded a net inflow of US\$ 14.5 billion during H1 as compared with US\$ 8.2 billion a year ago.
- In H1 of 2017-18, there was an accretion of US\$ 20.9 billion to foreign exchange reserves.

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

(US\$ Billion)												
	July-September 2017 P			July-September 2016			April-September 2017-18 P			April-September 2016-17		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	145.6	152.8	-7.2	127.7	131.1	-3.4	285.5	307.8	-22.2	252.6	256.5	-3.8
1. Goods	76.1	108.9	-32.8	67.4	93.0	-25.6	149.2	224.0	-74.8	134.0	183.5	-49.4
<i>Of which:</i>												
POL	9.4	23.7	-14.3	7.6	20.5	-12.9	16.9	46.5	-29.6	14.4	39.5	-25.1
2. Services	47.4	29.0	18.4	40.9	24.6	16.3	93.3	56.6	36.7	80.3	48.2	32.0
3. Primary Income	4.6	13.0	-8.5	4.1	12.2	-8.1	9.4	23.6	-14.3	7.8	22.2	-14.4
4. Secondary Income	17.5	1.9	15.7	15.2	1.3	13.9	33.7	3.5	30.1	30.5	2.6	27.9
B. Capital Account and Financial Account	146.5	139.7	6.9	138.9	134.6	4.3	302.2	281.0	21.2	268.1	263.6	4.5
<i>Of which:</i>												
Change in Reserve (Increase (-)/Decrease (+))	0.0	9.5	-9.5	0.0	8.5	-8.5	0.0	20.9	-20.9	0.0	15.5	-15.5
C. Errors & Omissions (-) (A+B)	0.4		0.4		0.9	-0.9	1.0		1.0		0.7	-0.7
P: Preliminary												
Note: Total of subcomponents may not tally with aggregate due to rounding off.												