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Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2014-15

Preliminary data on India's balance of payments (BoP) for the Fourth quarter (Q4) *i.e.*, January-March of the financial year 2014-15 are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q4 2014-15

- On a quarter-over-quarter (q-o-q) basis, India's current account deficit (CAD) narrowed sharply to US\$ 1.3 billion (0.2 per cent of GDP) in Q4 of 2014-15 from US\$ 8.3 billion (1.6 per cent of GDP) in Q3; on a year-on-year (y-o-y) basis, however, the CAD was a shade higher (US\$ 1.2 billion or 0.2 per cent of GDP in Q4 of 2013-14).
- The merchandise trade deficit (US\$ 31.7 billion during Q4 2014-15) contracted sharply on a q-o-q basis on account of a larger decline in merchandise imports (13.4 per cent) than in merchandise exports (10.4 per cent); however, in terms of y-o-y changes, the trade deficit in Q4 2014-15 widened marginally as exports registered a larger decline (15.4 per cent), than imports (10.4 per cent).
- The reduction in the CAD in Q4 2014-15 was primarily on account of lower trade deficit as net earnings through services and primary income (profit, dividend & interest) witnessed a decline in q-o-q terms *albeit* secondary income recorded a marginal increase of 0.4 per cent.
- Gross private transfer receipts, representing remittances by Indians employed overseas amounted to US\$ 17.5, witnessing a marginal increase of 0.4 per cent on q-o-q basis and an increase of 1.2 per cent from the level a year ago.
- In the financial account, net inflows of foreign direct and portfolio investment were higher on a q-o-q basis, though net loans availed by banks witnessed an outflow US\$ 3.5 billion mainly on account of increase in balances of foreign currency assets held abroad by banks.
- During Q4 of 2014-15, on a BoP basis, there was highest ever net accretion of US\$ 30.1 billion to India's foreign exchange reserves in a single quarter; it was more than double the accretion in the preceding quarter and almost four times of the reserves accrued in Q4 of 2013-14 (Table 1) signifying record increase in capital inflows and dip in current account deficit.

BoP during April-March 2015

- On a cumulative basis, the overall BoP during 2014-15 showed improvement over the preceding year. Lower CAD, on the back of contraction in trade deficit and marginal improvement in the net invisible earnings, along with a sizable increase in net financial flows enabled a large build-up of reserves.
- India's trade deficit narrowed to US\$ 144.2 billion in 2014-15 from US\$ 147.6 billion in 2013-14. With modest increase in invisibles supported by some improvement in net services receipts, the CAD tracked the trade deficit and shrank to US\$ 27.5 billion in 2014-15 (1.3 per cent of GDP) from US\$ 32.4 billion (1.7 per cent of GDP) a year ago.
- Net inflows under the capital and financial account (excluding change in foreign exchange reserves) rose to US\$ 89.5 billion during 2014-15 from US\$ 48.7 billion in the previous year.
- There was an accretion to India's foreign exchange reserves to the tune of US\$ 61.4 billion in 2014-15 as compared with US\$ 15.5 billion in 2013-14.
- At the end of March 2015, the level of foreign exchange reserves stood at US\$ 341.6 billion.

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

(US\$ Billion)												
	Jan-Mar 2015 (P)			Jan-Mar 2014 (PR)			Apr-Mar 2014-15 (P)			Apr-Mar 2013-14 (PR)		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	131.4	132.7	-1.3	144.4	145.6	-1.2	553.7	581.2	-27.5	551.4	583.7	-32.4
1. Goods	70.8	102.5	-31.7	83.7	114.3	-30.7	316.7	460.9	-144.2	318.6	466.2	-147.6
<i>Of which:</i>												
POL	7.7	21.8	-14.1	15.1	42.6	-27.4	55.2	138.3	-83.1	63.2	164.8	-101.6
2. Services	39.8	20.4	19.4	40.6	21.0	19.6	155.4	79.8	75.7	151.5	78.5	73.0
3. Primary Income	3.2	8.8	-5.6	2.8	9.2	-6.4	11.5	36.5	-25.0	11.4	34.4	-23.0
4. Secondary Income	17.5	0.9	16.6	17.3	1.0	16.3	70.0	4.0	66.0	69.9	4.6	65.3
B. Capital Account and Financial Account	149.2	148.9	0.3	127.1	125.1	2.0	548.4	520.3	28.1	523.2	490.0	33.2
<i>Of which:</i>												
Change in Reserve (Increase (-)/Decrease (+))	0.0	30.1	-30.1	0.0	7.1	-7.1	0.0	61.4	-61.4	0.0	15.5	-15.5
C. Errors & Omissions (-) (A+B)	1.0		1.0		0.7	-0.7		0.6	-0.6		0.9	-0.9

P: Preliminary; PR: Partially Revised

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