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Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2017-18

Preliminary data on India's balance of payments (BoP) for the fourth quarter (Q4), *i.e.*, January-March 2017-18 are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q4 of 2017-18

- India's current account deficit (CAD) at US\$ 13.0 billion (1.9 per cent of GDP) in Q4 of 2017-18 increased from US\$ 2.6 billion (0.4 per cent of GDP) in Q4 of 2016 -17, but moderated marginally from US\$ 13.7 billion (2.1 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 (US\$ 41.6 billion) brought about by a larger increase in merchandise imports relative to exports.
- Net services receipts increased by 8.8 per cent on a y-o-y basis mainly on the back of a rise in net earnings from software services and other business services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US\$ 18.1 billion, increasing by 15.1 per cent from their level a year ago.
- In the financial account, net foreign direct investment at US\$ 6.4 billion in Q4 of 2017-18 was higher than US\$ 5.0 billion in Q4 of 2016-17.
- Portfolio investment recorded net inflow of US\$ 2.3 billion in Q4 of 2017-18 – as compared with an inflow of US\$ 10.8 billion in Q4 last year – on account of moderation in net purchases in both the debt and equity markets.
- Net receipts on account of non-resident deposits amounted to US\$ 4.6 billion in Q4 of 2017-18 as compared with US\$ 2.7 billion a year ago.
- In Q4 of 2017-18, there was an accretion of US\$ 13.2 billion to the foreign exchange reserves (on BoP basis) as compared with an accretion of US\$ 7.3 billion in Q4 of 2016-17 (Table 1).

BoP during 2017-18

- For the full year, the CAD increased to 1.9 per cent of GDP in 2017-18 from 0.6 per cent in 2016-17 on the back of a widening of the trade deficit.
- India's trade deficit increased to US\$ 160.0 billion in 2017-18 from US\$ 112.4 billion in 2016-17.
- Net invisible receipts were higher in 2017-18 mainly due to increase in net services earnings and private transfer receipts.
- Gross FDI inflows to India increased to US\$ 61.0 billion in 2017-18 from US\$ 60.2 billion in 2016-17.
- Net FDI inflows in 2017-18 moderated to US\$ 30.3 billion from US\$ 35.6 billion in 2016-17.
- Portfolio investment recorded a net inflow of US\$ 22.1 billion in 2017-18 as compared with US\$ 7.6 billion a year ago.
- In 2017-18, there was an accretion of US\$ 43.6 billion to the foreign exchange reserves (on a BoP basis).

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

| (US\$ Billion) | | | | | | | | | | | | |
|---|----------------------|-------|-------|-----------------------|-------|-------|-----------|-------|--------|------------|-------|--------|
| | January-March 2018 P | | | January-March 2017 PR | | | 2017-18 P | | | 2016-17 PR | | |
| | Credit | Debit | Net | Credit | Debit | Net | Credit | Debit | Net | Credit | Debit | Net |
| A. Current Account | 156.7 | 169.7 | -13.0 | 139.4 | 141.9 | -2.6 | 592.4 | 641.0 | -48.7 | 522.2 | 536.5 | -14.4 |
| 1. Goods | 82.2 | 123.8 | -41.6 | 77.4 | 107.1 | -29.7 | 309.0 | 469.0 | -160.0 | 280.1 | 392.6 | -112.4 |
| <i>Of which:</i> | | | | | | | | | | | | |
| POL | 10.6 | 33.0 | -22.4 | 9.0 | 25.6 | -16.6 | 37.5 | 108.6 | -71.1 | 31.5 | 87.0 | -55.4 |
| 2. Services | 51.6 | 31.4 | 20.2 | 41.8 | 23.3 | 18.5 | 195.1 | 117.5 | 77.6 | 164.2 | 95.9 | 68.3 |
| 3. Primary Income | 4.8 | 12.6 | -7.8 | 4.5 | 10.0 | -5.6 | 18.9 | 47.5 | -28.7 | 16.3 | 42.6 | -26.3 |
| 4. Secondary Income | 18.1 | 1.9 | 16.2 | 15.7 | 1.5 | 14.2 | 69.4 | 6.9 | 62.5 | 61.5 | 5.5 | 56.0 |
| B. Capital Account and Financial Account | 171.5 | 159.7 | 11.8 | 145.1 | 142.1 | 3.0 | 643.6 | 595.9 | 47.8 | 551.9 | 537.1 | 14.8 |
| <i>Of which:</i> | | | | | | | | | | | | |
| Change in Reserve (Increase (-)/Decrease (+)) | 0.0 | 13.2 | -13.2 | 0.0 | 7.3 | -7.3 | 0.0 | 43.6 | -43.6 | 0.0 | 21.6 | -21.6 |
| C. Errors & Omissions (-) (A+B) | 1.3 | | 1.3 | | 0.5 | -0.5 | 0.9 | | 0.9 | | 0.5 | -0.5 |
| P: Preliminary; PR: Partially Revised | | | | | | | | | | | | |
| Note: Total of subcomponents may not tally with the aggregate due to rounding off. | | | | | | | | | | | | |