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Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2016-17

Preliminary data on India's balance of payments (BoP) for the fourth quarter (Q4) *i.e.*, January-March 2016-17 are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q4 of 2016-17

- India's current account deficit (CAD) at US\$ 3.4 billion (0.6 per cent of GDP) in Q4 of 2016-17 was higher than US\$ 0.3 billion (0.1 per cent of GDP) in Q4 of 2015-16 but narrowed from US\$ 8.0 billion (1.4 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 (US\$ 29.7 billion) brought about by a larger increase in merchandise imports relative to exports.
- Net services receipts increased on a y-o-y basis on the back of a rise in net earnings from travel, transport, construction and other business services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, at US\$ 15.7 billion remained almost at the same level as in the preceding year.
- In the financial account, net foreign direct investment at US\$ 5.0 billion in Q4 of 2016-17 moderated from its level a year ago.
- Net portfolio investment, however, recorded substantial inflow of US\$ 10.8 billion in Q4 of 2016-17 in both equity and debt segment, as against net outflow of US\$ 1.5 billion in Q4 last year.
- Net receipts on account of non-resident deposits amounted to US\$ 2.7 billion in Q4 of 2016-17, lower than US\$ 4.4 billion a year ago.
- In Q4 of 2016-17, there was an accretion of foreign exchange reserves (on BoP basis) to the tune of US\$ 7.3 billion as compared with an increase of US\$ 3.3 billion in Q4 of last year (Table 1).

BoP during 2016-17

- On a cumulative basis, the CAD narrowed to 0.7 per cent of GDP in 2016-17 from 1.1 per cent in 2015-16 on the back of the contraction in the trade deficit.
- India's trade deficit narrowed to US\$ 112.4 billion in 2016-17 from US\$ 130.1 billion in 2015-16.
- Net invisible receipts were lower, mainly due to moderation in both software exports and net private transfer receipts, and higher outgo on account of primary income (profit, interest and dividends).
- Gross FDI inflows to India in 2016-17 at US\$ 60.2 billion increased significantly from US\$ 55.6 billion in 2015-16.
- Net FDI inflows (*i.e.*, net of outward FDI) in 2016-17 at US\$ 35.6 billion moderated marginally from US\$ 36.0 billion in 2015-16.
- Portfolio investment recorded a net inflow of US\$ 7.6 billion in 2016-17 as against an outflow of US\$ 4.5 billion a year ago.
- In 2016-17, there was an accretion of US\$ 21.6 billion to the foreign exchange reserves as compared with US\$ 17.9 billion in 2015-16.

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

(US\$ Billion)												
	January-March 2017 P			January-March 2016			2016-17 P			2015-16		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	138.3	141.7	-3.4	124.7	125.0	-0.3	521.1	536.3	-15.2	501.4	523.5	-22.1
1. Goods	77.4	107.1	-29.7	65.8	90.6	-24.8	280.1	392.6	-112.4	266.4	396.4	-130.1
<i>Of which:</i>												
POL	9.0	25.6	-16.6	6.2	14.7	-8.5	31.5	86.8	-55.3	30.6	82.9	-52.4
2. Services	40.7	23.1	17.6	39.4	23.3	16.1	163.1	95.7	67.5	154.3	84.6	69.7
3. Primary Income	4.5	10.0	-5.6	3.7	10.3	-6.6	16.3	42.6	-26.3	14.7	39.1	-24.4
4. Secondary Income	15.7	1.5	14.2	15.7	0.7	15.0	61.5	5.5	56.0	66.0	3.3	62.7
B. Capital Account and Financial Account	145.1	142.1	3.1	127.3	127.2	0.2	551.9	537.1	14.9	510.9	487.8	23.2
<i>Of which:</i>												
Change in Reserve (Increase (-)/Decrease (+))	0.0	7.3	-7.3	0.0	3.3	-3.3	1.2	22.8	-21.6	0.9	18.8	-17.9
C. Errors & Omissions (-) (A+B)	0.4		0.4	0.2		0.2	0.4		0.4		1.1	-1.1
P: Preliminary												
Note: Total of subcomponents may not tally with aggregate due to rounding off.												