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Developments in India's Balance of Payments during the Second Quarter (July-September) of 2020-21

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2), *i.e.*, July-September 2020-21, are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q2 of 2020-21

- India's current account surplus moderated to US\$ 15.5 billion (2.4 per cent of GDP) in Q2 of 2020-21 from US\$ 19.2 billion (3.8 per cent of GDP) in Q1 of 2020-21; a deficit of US\$ 7.6 billion (1.1 per cent of GDP) was recorded a year ago [*i.e.* Q2 of 2019-20].
- The narrowing of the current account surplus in Q2 of 2020-21 was on account of a rise in the merchandise trade deficit to US\$ 14.8 billion from US\$ 10.8 billion in the preceding quarter.
- Net services receipts increased both sequentially and on a year-on-year basis, primarily on the back of higher net earnings from computer services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, declined on a y-o-y basis but improved sequentially by 12 per cent to US\$ 20.4 billion in Q2 2020-21.
- Net outgo from the primary income account, primarily reflecting net overseas investment income payments, increased to US\$ 9.3 billion from US\$ 8.8 billion a year ago.
- In the financial account, net foreign direct investment recorded robust inflow of US\$ 24.6 billion as compared with US\$ 7.3 billion in Q2 of 2019-20.
- Net foreign portfolio investment was US\$ 7.0 billion as compared with US\$ 2.5 billion in Q2 of 2019-20, largely reflecting net purchases in the equity market.
- With repayments exceeding fresh disbursements, external commercial borrowings to India recorded net outflow of US\$ 4.1 billion in Q2 of 2020-21 as against an inflow of US\$ 3.1 billion a year ago.
- Net accretions to non-resident deposits moderated to US\$ 1.9 billion from US\$ 2.3 billion in Q2 of 2019-20.
- There was an accretion of US\$ 31.6 billion to the foreign exchange reserves (on a BoP basis) as compared with that of US\$ 5.1 billion in Q2 of 2019-20 ([Table 1](#)).

BoP during April-September 2020-21 (H1 of 2020-21)

- India recorded a current account surplus of 3.1 per cent of GDP in H1 of 2020-21 as against a deficit of 1.6 per cent in H1 of 2019-20 on the back of a sharp contraction in the trade deficit.
- Net invisible receipts were lower in H1 of 2020-21, mainly due to decline in net private transfer receipts.
- Net FDI inflows at US\$ 23.8 billion in H1 of 2020-21 were higher than US\$ 21.3 billion in H1 of 2019-20.
- Portfolio investment recorded a net inflow of US\$ 7.6 billion in H1 of 2020-21, almost at the same level as a year ago.
- In H1 of 2020-21, there was an accretion of US\$ 51.4 billion to the foreign exchange reserves (on a BoP basis).

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

(US\$ billion)

	July-September 2020 P			July-September 2019			April-September 2020-21 P			April-September 2019-20		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	151.0	135.4	15.5	161.6	169.1	-7.6	273.4	238.7	34.8	322.2	344.8	-22.5
1. Goods	75.6	90.4	-14.8	80.0	119.6	-39.6	127.9	153.5	-25.6	162.7	249.1	-86.4
<i>Of which:</i>												
POL	7.3	18.8	-11.5	10.1	29.8	-19.7	12.1	32.0	-19.9	21.2	65.2	-44.0
2. Services	49.9	28.7	21.2	52.8	31.8	20.9	96.7	55.0	41.7	105.0	64.0	41.0
3. Primary Income	5.0	14.3	-9.3	6.8	15.7	-8.8	10.1	26.9	-16.8	12.7	27.7	-15.1
4. Secondary Income	20.4	2.0	18.4	22.0	2.0	20.0	38.6	3.2	35.4	41.9	4.0	38.0
B. Capital Account and Financial Account	152.7	168.8	-16.2	142.2	133.8	8.4	280.5	315.5	-35.0	280.5	257.5	23.0
<i>Of which:</i>												
Change in Reserves (Increase (-)/Decrease (+))	0.0	31.6	-31.6	0.0	5.1	-5.1	0.0	51.4	-51.4	0.0	19.1	-19.1
C. Errors & Omissions (-) (A+B)	0.6		0.6		0.9	-0.9	0.2		0.2		0.5	-0.5
P: Preliminary												
Note: Total of subcomponents may not tally with aggregate due to rounding off.												

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