

## DEVELOPMENTS IN INDIA'S BALANCE OF PAYMENTS DURING THE SECOND QUARTER (JULY-SEPTEMBER) OF 2018-19<sup>1</sup>

Preliminary data on India's balance of payments (BoP) for the second quarter (Q2), i.e., July-September 2018-19, are presented in Statements I (BPM6 format. Available at [http://rbidocs.rbi.org.in/rdocs/content/docs/PR1329ST07122018\\_S1.xls](http://rbidocs.rbi.org.in/rdocs/content/docs/PR1329ST07122018_S1.xls) and II (old format, Available at [http://rbidocs.rbi.org.in/rdocs/content/docs/PR1329ST07122018\\_S2.xls](http://rbidocs.rbi.org.in/rdocs/content/docs/PR1329ST07122018_S2.xls)).

### Key Features of India's BoP in Q2 of 2018-19

- India's current account deficit (CAD) at US\$ 19.1 billion (2.9 per cent of GDP) in Q2 of 2018-19 increased from US\$ 6.9 billion (1.1 per cent of GDP) in Q2 of 2017-18 and US\$ 15.9 billion (2.4 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 at US\$ 50.0 billion as compared with US\$ 32.5 billion a year ago.
- Net services receipts increased by 10.2 per cent on a y-o-y basis mainly on the back of a rise in net earnings from software and financial services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US\$ 20.9 billion, increasing by 19.8 per cent from their level a year ago.
- In the financial account, net foreign direct investment at US\$ 7.9 billion in Q2 of 2018-19 moderated from US\$ 12.4 billion in Q2 of 2017-18.
- Portfolio investment recorded net outflow of US\$ 1.6 billion in Q2 of 2018-19 – as compared with an inflow of US\$ 2.1 billion in Q2 last year – on account of net sales in both the debt and equity markets.
- Net receipts on account of non-resident deposits increased to US\$ 3.3 billion in Q2 of 2018-19 from US\$ 0.7 billion a year ago.
- In Q2 of 2018-19, there was a depletion of US\$ 1.9 billion of the foreign exchange reserves (on BoP basis) as against an accretion of US\$ 9.5 billion in Q2 of 2017-18 (Table 1).

### BoP during April-September 2018 (H1 of 2018-19)

- The CAD increased to 2.7 per cent of GDP in H1 of 2018-19 from 1.8 per cent in H1 of 2017-18 on the back of widening of the trade deficit.
- India's trade deficit increased to US\$ 95.8 billion in H1 of 2018-19 from US\$ 74.4 billion in H1 of 2017-18.
- Net invisible receipts were higher in H1 of 2018-19 mainly due to increase in net services earnings and private transfer receipts.
- Net FDI inflows in H1 of 2018-19 moderated to US\$ 17.7 billion from US\$ 19.6 billion in H1 of 2017-18.
- Portfolio investment recorded a net outflow of US\$ 9.8 billion in H1 of 2018-19 as against an inflow of US\$ 14.5 billion a year ago.
- In H1 of 2018-19, there was a depletion of US\$ 13.2 billion of the foreign exchange reserves (on a BoP basis).

<sup>1</sup> Available at: [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=45688](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=45688)

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

(US\$ Billion)

|  | July-September<br>2018 P |       |       | July-September<br>2017 |       |       | April-September<br>2018-19P |       |       | April-September<br>2017-18 |       |       |
|--|--------------------------|-------|-------|------------------------|-------|-------|-----------------------------|-------|-------|----------------------------|-------|-------|
|  | Credit                   | Debit | Net   | Credit                 | Debit | Net   | Credit                      | Debit | Net   | Credit                     | Debit | Net   |
| A. Current Account                                   | 160.0                    | 179.1 | -19.1 | 145.5                  | 152.4 | -6.9  | 315.7                       | 350.7 | -35.0 | 285.4                      | 307.3 | -21.9 |
| 1. Goods   | 83.4                     | 133.4 | -50.0 | 76.1                   | 108.5 | -32.5 | 166.8                       | 262.6 | -95.8 | 149.2                      | 223.6 | -74.4 |
| Of which:  |                          |       |       |                        |       |       |                             |       |       |                            |       |       |
| POL  | 12.1                     | 35.2  | -23.1 | 9.0                    | 23.7  | -14.6 | 23.5                        | 69.9  | -46.5 | 16.5                       | 46.5  | -30.0 |
| 2. Services  | 50.1                     | 29.8  | 20.2  | 47.4                   | 29.0  | 18.4  | 98.3                        | 59.3  | 38.9  | 93.3                       | 56.6  | 36.7  |
| 3. Primary Income                                    | 5.6                      | 14.3  | -8.7  | 4.5                    | 13.0  | -8.6  | 11.0                        | 25.5  | -14.6 | 9.2                        | 23.6  | -14.4 |
| 4. Secondary Income                                  | 20.9                     | 1.5   | 19.4  | 17.5                   | 1.8   | 15.7  | 39.7                        | 3.3   | 36.4  | 33.7                       | 3.5   | 30.2  |
| B. Capital Account and<br>Financial Account          | 131.1                    | 112.9 | 18.2  | 147.1                  | 139.7 | 7.4   | 273.7                       | 238.8 | 34.9  | 302.8                      | 279.9 | 22.9  |
| Of which:  |                          |       |       |                        |       |       |                             |       |       |                            |       |       |
| Change in Reserves<br>(Increase (-)/Decrease<br>(+)) | 1.9                      | 0.0   | 1.9   | 0.0                    | 9.5   | -9.5  | 13.2                        | 0.0   | 13.2  | 0.0                        | 20.9  | -20.9 |
| C. Errors & Omissions (-)<br>(A+B)                   | 0.9                      |       | 0.9   |                        | 0.4   | -0.4  | 0.1                         |       | 0.1   |                            | 1.0   | -1.0  |

P: Preliminary

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

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