

### VI. Balance of Payments

32. The following table gives the balance of payments data for the first four years of the Second Plan and for the first half of 1960-61:

#### India's Balance of Payments

1956-57 to 1959-60 and for April-September, 1960

(Rupees crores)

	1956-57	1957-58	1958-59	1959-60*		Total	1960-61*
				April-September	October-March		April-September
1 Imports c.i.f.	1099.5	1233.6	1029.6	473.1	450.6	923.7	538.7
(a) Private	811.9	696.2	504.8	257.8	249.5	507.3	287.5
(b) Government	287.6	537.4	524.8	215.3	201.1	416.4	251.2
2 Exports f.o.b.	635.2	594.1**	575.9	285.8	337.5	623.3	299.3
3 Trade Balance	-464.3	-639.5	-453.7	-187.3	-113.1	-300.4	-239.4
4 Non monetary gold movement	..	..	..	..	5.9	5.9	..
5 Official Donations	39.5	34.1	34.4	21.0	14.6	35.6	26.8
6 Other Invisibles (net)	112.5	104.0	91.7	37.9	40.2	78.1	34.8
7 Current Account (net)	-312.3	-501.4	-327.6	-128.4	-52.4	-180.8	-177.8
8 Errors and Omissions	1.6	-9.8	-21.7	-10.7	-10.5	-21.2	-14.4
9 Official loans	30.7	115.1	218.6	84.0	101.5	185.5	118.3
10 Drawings on IMF (net)	54.7	34.5	..	..	-24.0	-24.0	-10.5
11 Other capital transactions (net)	4.0	101.7	88.4	28.0	-3.6	24.4	29.4
12 Draft on foreign exchange reserves†	221.3	259.9	42.3	27.1	-11.0‡	16.1	55.0

\*Preliminary

\*\*Excludes silver despatched to USA

†Variations in reserves include not only movements in the foreign assets of RBI but also in Government balances held abroad.

‡The minus indicates an addition to reserves.

The relative improvement in the balance of payments seen in 1958-59 was continued in 1959-60, when there was only a small decline of Rs. 16.1 crores in the foreign exchange reserves. In fact but for the purchase of gold of Rs. 18 crores for the payment of additional subscription to the I.M.F., and the repurchase of a part of the rupees held by that institution (Rs. 24 crores), there would have been an increase in foreign exchange reserves. The improvement in 1959-60 was mainly the result of reduced imports (Rs. 106 crores) accompanied by a sizeable increase in exports (Rs. 47 crores). While official donations remained more or less the same, other net invisibles declined by Rs. 14 crores, partly because of larger payments on investment account. Official loans were lower by Rs. 33 crores and net receipts from other capital transactions by Rs. 64 crores.

33. During the first half of 1960-61 the trade deficit at Rs. 239.4 crores was about Rs. 52 crores larger than in the corresponding period of 1959-60. Imports in the first half of 1960-61 amounted to Rs. 538.7 crores as compared to Rs. 473.1 crores over the first half of 1959-60. There was, however, a small increase in exports of Rs. 13.5 crores. Official donations were larger by Rs. 5.8 crores and there was a significant increase of Rs. 34.3 crores in receipts from official loans, largely on account of rupee loans made from P.L. 480 funds, which were correspondingly offset under "other capital transactions". The fall in foreign exchange reserves during the period was larger than in the corresponding period of 1959-60.

34. Private imports in 1959-60 were at about the same level as in the previous year. This was because of continued restrictions on imports, larger domestic production of some of the imported items and the completion of some of the expansion programmes in the private sector. Government imports showed a sharp decline of Rs. 108 crores because of a fall in imports of equipment as well as capital goods of various types. This fall reflects the fact that the bulk of the imported equipment for the public sector steel plants had by this time been obtained.

35. For the first half of 1960-61 both Government and private imports show an increase. Private imports showed an increase of Rs. 29.7 crores to which higher imports of raw cotton and metals contributed significantly. The following table gives the details of Government imports since 1955-56.

#### Imports on Government Account

	(Rs. crores)							
	1955-56	1956-57	1957-58	1958-59	1959-60		1960-61	
					1st half	2nd half	Total	1st half
1. Foodgrains . . . . .	28.9	107.6	165.3	151.7	82.7	72.5	155.2	114.1
2. Capital equipment for Government projects	30.3	52.5	104.7	142.6	55.7	42.5	98.2	46.8
3. Iron and Steel . . . . .	12.1	15.1	49.7	43.2	8.0	7.7	15.7	10.7
4. Railway stores . . . . .	22.7	33.3	50.3	51.5	7.4	9.6	17.0	14.0
5. Communication stores	13.4	25.8	30.3	11.8	7.1	10.5	17.6	9.1
6. Others . . . . .	31.5	53.3	137.2	124.0	54.4	58.3	112.7	56.6
<b>TOTAL</b>	<b>138.9</b>	<b>287.6</b>	<b>537.4</b>	<b>524.8</b>	<b>215.3</b>	<b>201.1</b>	<b>416.4</b>	<b>251.3</b>

The increase in Government imports in the first half of the current year, it will be seen, is mainly in respect of foodgrains (Rs. 31 crores). Import of capital equipment for Government projects amounted to Rs. 47 crores as compared to Rs. 56 crores in the first half of 1959-60 and Rs. 77 crores in the first half of 1958-59.

36. The following table gives a category-wise break-up of total imports from 1958-59 to 1960-61 (first half):

*Category-wise Break-up of Imports (Private and Government)*

(Rs. crores)

	1958-59	1959-60*			1960-61*		Total 1st half
		1st half	2nd half	Total	1st Qr.	2nd Qr.	
<b>A. Non-developmental</b>	386.3	180.5	168.4	348.9	119.1	83.1	202.2
Food . . .	151.7	82.7	72.5	155.2	75.2	38.9	114.1
Other consumer goods . . .	63.9	28.8	36.7	65.5	17.5	16.4	33.9
Others . . .	170.7	69.0	59.2	128.2	26.4	27.8	54.2
<b>B. Raw Materials</b> of which	121.5	89.1	79.2	168.3	51.3	54.9	106.2
Mineral oils . . .	57.2	48.4	34.1	82.5	21.0	13.7	34.7
Raw cotton . . .	25.1	19.5	17.9	37.4	14.5	24.4	38.9
<b>C. Intermediate Goods</b> of which :	168.3	64.4	65.3	129.7	43.4	42.0	85.4
Iron & Steel . . .	84.8	23.6	23.5	47.1	18.9	19.2	38.1
Private . . .	41.6	15.6	15.8	31.4	13.8	13.6	27.4
Government	43.2	8.0	7.7	15.7	5.1	5.6	10.7
<b>D. Capital Goods</b>	353.5	139.1	137.7	276.8	74.4	70.5	144.9
Private . . .	141.7	65.4	69.1	134.5	38.2	36.1	74.3
Government . . .	211.8	73.7	68.6	142.3	36.2	34.4	70.6
<b>TOTAL</b>	1029.6	473.1	450.6	923.7	288.2	250.5	538.7

\*Preliminary

It will be seen that in the non-developmental group, the reduction in imports in 1959-60 was mainly under the category 'others'. The major part

of the decrease of Rs. 42 crores reflected reduced repatriation of Indian currency notes, chiefly from the Persian Gulf area. /

37. The other groups showing a decline were intermediate goods (Rs. 39 crores) and capital goods (Rs. 77 crores). A sharp reduction in the import of iron and steel was the main reason for the smaller imports of intermediate goods. The larger domestic output of steel and the completion of the investment programme of the iron and steel industry in the private and public sectors made possible a further reduction in the imports of iron and steel; there was also some reduction in stocks. The only group showing an increase in 1959-60 was raw materials, particularly mineral oils and raw cotton. Mineral oil imports were larger by Rs. 25.3 crores and those of raw cotton by Rs. 12.3 crores. Despite these increases, the level of raw material imports in 1959-60 was lower than in 1955-56 and 1956-57.

38. The increase in imports in the first half of 1960-61 was mainly on account of larger imports of foodgrains, cotton and iron and steel. Food imports rose from Rs. 82.7 crores in April—September, 1959 to Rs. 114.1 crores in the same period in 1960. Imports of raw cotton were larger by Rs. 19.4 crores and those of raw jute by Rs. 2.2 crores. On the other hand, mineral oil imports in the first half of 1960-61 showed a decrease of Rs. 13.7 crores. Imports of iron and steel, and non-ferrous metals recorded an increase from Rs. 34.7 crores in April—September, 1959 to Rs. 55.8 crores in the same period in 1960. Part of the increase in these imports was on account of the growing requirements of engineering industries; part reflected replenishment of stocks. There was also an increase in the import of capital goods on private account from Rs. 65.4 crores to Rs. 74.3 crores which was offset by a small reduction of Rs. 3.1 crores in Government imports.

39. Exports during 1959-60 were higher by Rs. 47.4 crores as compared to the previous year, although there was a decline of Rs. 8.1 crores in the exports of tea. Exports of hides and skins—raw and tanned—which were around Rs. 30 crores each year since 1956-57 rose to Rs. 45.3 crores in 1959-60. Exports of cotton manufactures which had declined more or less steadily from Rs. 86.4 crores in 1955-56 to Rs. 62.5 crores in 1958-59 also regained much of the lost ground and totalled Rs. 80.3 crores. Similarly, vegetable oils which had declined from Rs. 40.1 crores in 1955-56 to Rs. 9.6 crores in 1958-59 recovered to Rs. 18 crores. On the other hand, exports of raw cotton and manganese ore were smaller because of lower output in the case of cotton and increased competition in the world markets in the case of manganese ore.

40. During the first half of 1960-61 exports showed an increase of Rs. 13.5 crores over the corresponding period in 1959-60. Jute manufactures accounted for most of the increase in export earnings, mainly as a result of higher prices. Exports in the second half of the year are likely to be higher as usual because of the seasonal factor but indications are that total exports in 1960-61 will not show a very marked rise over the level in 1959-60.

41. Over the first 4½ years of the Second Plan, the total imports amounted to Rs. 4,825 crores of which Rs. 2,808 crores were on private account. Exports during the period amounted to Rs. 2,728 crores and the trade balance was negative to the extent of Rs. 2,097 crores. As against this, there were receipts totalling Rs. 421 crores on account of invisibles other than 'official donations'. The gap of Rs. 1,676 crores thus left was financed by Rs. 170 crores of 'official donations', Rs. 668 crores of loans from abroad,

Rs. 55 crores of net drawings on the I.M.F., and a decline in foreign exchange reserves of Rs. 595 crores. There were also net receipts of Rs. 248 crores under the category, 'other capital transactions', which included, *inter alia*, assistance received under P.L. 480.