

## Balance of Payments

6.5 In recent years, India's balance of payments (BOP) has been characterized by surpluses in both the current and capital accounts. After recording current account surpluses for the past two years, the BOP estimates for the first nine months of 2003-04 (April-December) also indicate a current account surplus (Table 6.2). Given the trend, the country is expected to post a positive current account balance for the third successive year. The trend is consistent with that of most economies of developing Asia, which began showing surpluses in their current accounts from the later part of the 1990s, particularly the East Asian economies like Indonesia, Malaysia, Philippines and Thailand. However, as a proportion of GDP, India's current account surplus in 2003 (0.5 per cent) was much lower than those of Indonesia (3.9 per cent), Malaysia (11.1 per cent), Philippines (2.1 per cent), Thailand (5.6 per cent) and China (2.1 per cent).

6.6 The capital account has also continued to strengthen. The size of the capital account surplus during April-December 2003-04 was far more than that for the full year 2002-03.

Earlier, the capital account surplus in India's balance of payments used to be partially offset by current account deficits, leading to lower overall surpluses. However, since 2001-02, surpluses in both, the current and capital accounts have resulted in larger overall surpluses, which have led to accumulation in the foreign exchange reserves of the country.

6.7 At a micro-level, the balance of payments profile reveals some interesting trends (Table 6.2). In recent years, the deficits in the trade account have been more than made up by large invisibles surpluses—sustained by large inflows of private transfers and non-factor services—resulting in positive current account balances. On the other hand, the growing strength of the capital account has arisen largely from steady growth in non-debt creating foreign investment inflows. External commercial borrowings and external assistance have been showing net outflows in recent years. The trends indicate that fast-growing invisibles and non-debt creating foreign investment inflows are the main factors behind accumulation of foreign exchange reserves. A summary of key indicators for the external sector is given in Table 6.3.

**Table 6.2 : Balance of Payments : Summary#***(in US \$ million)*

	1990-91	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	(April-Dec.)	
									2002-03	2003-04
1. Exports	18477	34133	35680	34298	37542	44894	44915	52512	38437	43237
2. Imports	27915	48948	51187	47544	55383	59264	57618	65422	48200	58233
3. Trade balance	-9438	-14815	-15507	-13246	-17841	-14370	-12703	-12910	-9763	-14996
4. Invisibles (net)	-243	10196	10007	9208	13143	10780	13485	17047	12685	18222
Non-factor services	980	726	1319	2165	4064	2478	4577	6765	5090	8814
Income	-3752	-3307	-3521	-3544	-3559	-4832	-3601	-4935	-3664	-5195
Pvt. transfers	2069	12367	11830	10280	12256	12798	12125	14807	11003	14494
Official transfers	461	410	379	307	382	336	384	410	256	109
5. Current Account Balance	-9680	-4619	-5500	-4038	-4698	-3590	782	4137	2922	3226
6. External assistance (net)	2204	1109	885	799	891	410	1117	-2460	119	-1814
7. Commercial borrowing (net)@	2254	2848	4010	4367	333	3737	-1576	-2344	-2020	-3732
8. IMF (net)	1214	-975	-618	-393	-260	-26	0	0	0	0
9. NR deposits (net)	1537	3350	1125	960	1540	2317	2754	2976	2371	3502
10. Rupee debt service	-1193	-727	-767	-802	-711	-617	-519	-474	-358	-304
11. Foreign investment (net)	103	5963	5353	2312	5117	5862	6693	4555	3119	10135
of which :										
(i) FDI (net)*	97	2651	3525	2380	2093	3272	4741	3611	2768	2513
(ii) FIs	0	1926	979	-390	2135	1677	1436	342	-186	7219
(iii) Euro equities & others	6	1386	849	322	889	913	516	602	537	403
12. Other flows (net)+	2283	-1131	-595	624	3930	-2263	2507	10590	6516	9776
13. Capital account(net)\$	8402	10437	9393	7867	10840	9420	10976	12843	9747	17563
14. Reserve use (- increase)	1278	-5818	-3893	-3829	-6142	-5830	-11757	-16980	-12669	-20788

# Actual \$ Item no. 13 is sum of item nos. 6, 7, 8, 9, 10, 11 and 12

@ Figures include receipts of Resurgent India Bonds in 1998-99 and India Millennium Deposits in 2000-01 and related repayments, if any, in the subsequent years.

+ Include, among others, delayed export receipts and errors & omissions.

\* These figures indicate FDI to India only. FDI to India figures from 2000-01 include reinvested earnings and other capital.

Source : Reserve Bank of India.

**Table 6.3 : Selected indicators of external sector**

Item\Years	1990-91	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04*
1. Growth of Exports - BOP (%)	9.0	5.6	4.5	-3.9	9.5	19.6	0.0	16.9	12.5
2. Growth of Imports - BOP (%)	14.4	12.1	4.6	-7.1	16.5	7.0	-2.8	13.5	20.8
3. Exports/Imports - BOP (%)	66.2	69.7	69.7	72.1	67.8	75.8	78.0	80.3	74.2
4. Import cover of FER (No. of months)	2.5	6.5	6.9	8.2	8.2	8.6	11.3	13.8	16.2
5. External assistance (net)/TC (%)	26.3	10.6	9.7	10.4	8.3	4.3	10.2	-19.1	-10.3
6. ECB (net)/TC (%)	26.8	27.3	42.6	55.4	2.9	39.7	-14.3	-18.2	-21.2
7. NR deposits/TC (%)	18.3	32.1	12.0	12.2	14.2	24.6	25.1	23.2	19.9
8. Short-term debt / FER (%)	146.5	25.5	17.2	13.2	10.3	8.6	5.1	6.0	5.7
9. Debt service payments as % of current receipts	35.3	23.0	19.5	18.8	17.1	16.2	13.4	15.8	18.1
	<b>As per cent of GDPmp</b>								
10. Exports	5.8	8.9	8.7	8.3	8.4	9.8	9.4	10.3	
11. Imports	8.8	12.7	12.5	11.5	12.4	13.0	12.0	12.8	
12. Trade balance	-3.0	-3.8	-3.8	-3.2	-4.0	-3.2	-2.6	-2.5	
13. Invisibles balance	-0.1	2.7	2.4	2.2	2.9	2.3	2.8	3.3	
14. Current account balance	-3.1	-1.2	-1.4	-1.0	-1.1	-0.8	0.2	0.8	
15. External Debt	28.7	24.6	24.3	23.6	22.1	22.6	21.1	20.2	
16. Debt Service Payments	2.8	3.2	2.7	2.6	2.5	2.8	2.3	2.9	

\* :Calculated on the basis of figures upto Apr.-Dec. 2003-04.

**Notes :**

- (i) TC: Total capital flows (net).
- (ii) ECB: External Commercial Borrowing.
- (iii) FER: Foreign Exchange Reserves, including gold and SDRs.
- (iv) GDPmp: Gross domestic product at current market prices.
- (v) As total capital flows are netted after taking into account some capital outflows, the ratios against item no. 5, 6 and 7 may, in some years, add up to more than 100 per cent.
- (vi) Rupee equivalents of BOP components are used to arrive at GDP ratios. All other percentages shown in the upper panel of the table are based on US dollar values.