

Non-Resident Deposits

6.74 Expatriate deposits, traditionally, have been a key source of stable inflows for the capital account. After reaching a peak of US\$3.3 billion in 1996-97, such deposits slackened somewhat during the later years of the decade of 1990s, but recovered to reach a record level of US\$3.6 billion in 2003-04. Thereafter, however, for the first time since 1990-91, non-resident (NR) deposits became net outflows in the year 2004-05. During the current year, till November 2005, such deposits have been net inflows worth US\$248 million. On a quarterly basis, the BOP estimates indicate that from net outflows worth US\$108 million in April-June 2005, NR deposits turned into net inflows worth US\$282 million in July-September 2005, indicating a likely turnaround in the pattern of flows of such deposits.

6.75 At present, fresh NR deposits accrue in two accounts: the Foreign Currency Non Resident (Banks) FCNR(B) and Non-Resident (External) Rupee Accounts NR(E)RA

respectively. Fresh inflows in both the accounts declined during 2004-05, with the drop in the NR(E)RA account being particularly sharp (Table 6.13). Reduction in volume of fresh inflows combined with continuing outflows from the erstwhile NR(NR)RD account (the account has been discontinued since April 1, 2002; the proceeds on maturity are being credited to NR(E)RA accounts) led to overall net outflows for NR deposits during the year. During the current year (in April-November 2005), there was a recovery in NR(E)RA flows, while FCNR(B) flows, became net outflows (Table 6.12). These trends are in complete contrast to those in the corresponding period of the previous year, when FCNR(B) accounts were net inflows, but NR(E)RA accounts were net outflows. NR(E)RA deposits have recovered significantly to become net inflows worth US\$271 million during April-November 2005 as against outflows of US\$693 million during the corresponding period of the previous year.

Table 6.12 : Outstanding balances and net flows under various non-resident deposit schemes

(US\$ million)

| Panel A : Outstanding Balances under different schemes* | | | | | | | | | | |
|---|----------|----------|------------|----------|----------|----------|----------|-----------------|------------------------|----------------|
| As at the end of | | | | | | | | | | |
| | March 98 | March 99 | March 2000 | March 01 | March 02 | March 03 | March 04 | March 05 (P.E.) | Nov-05 (P.E.) | |
| FCNR(A) | 1 | ** | ** | ** | ** | ** | ** | ** | ** | |
| FCNR(B) | 8467 | 7835 | 8172 | 9076 | 9673 | 10199 | 10961 | 11452 | 11430 | |
| NR(E)RA @ | 5637 | 6045 | 6758 | 7147 | 8449 | 14923 | 20559 | 21291 | 20615 | |
| NR(NR)R | 6262 | 6618 | 6754 | 6849 | 7052 | 3407 | 1746 | 232 | | |
| Total | 20367 | 20498 | 21684 | 23072 | 25174 | 28529 | 33266 | 32975 | 32045 | |
| B. Net flows under Non-Resident Deposits* | | | | | | | | | | |
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 (P.E.) | Apr-Nov 2004-05 (P.E.) | 2005-06 (P.E.) |
| FCNR(A) | -2270 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| FCNR(B) | 971 | -632 | 337 | 904 | 594 | 526 | 762 | 492 | 235 | -23 |
| NR(E)RA @ | 1197 | 799 | 885 | 860 | 1626 | 6195 | 4695 | 84 | -693 | 271 |
| NR(NR)RD | 1256 | 793 | 318 | 553 | 508 | -3745 | -1816 | -1538 | -850 | 0 |
| Total | 1154 | 960 | 1540 | 2317 | 2728 | 2976 | 3641 | -962 | -1308 | 248 |
| P.E. : Provisional Estimates. | | | | | | | | | | |
| * All figures are inclusive of accrued interest. | | | | | | | | | | |
| ** Withdrawn effective August 1994. | | | | | | | | | | |
| @ The inflows into NR(E)RA deposits from the year 2002-03 onwards may partly be due to crediting of maturity proceeds of the NR(NR)R deposits which were discontinued with effect from April 1, 2002. | | | | | | | | | | |
| Note : Inflows/Outflows have been calculated by taking the monthly variation in rupee denominated deposits & converting those by monthly average exchange rate. All figures are inclusive of interest & valuation changes arising on account of fluctuation in non dollar currencies against US dollar. | | | | | | | | | | |
| Source : RBI | | | | | | | | | | |