

## Balance of Payments

4. India's balance of payments withstood fairly well the turbulence in the international economic and financial markets (Table 6.2). In fact, the balance of payments in 1997-98 remained comfortable with substantial reserve accumulation for the second year in succession, supported by strong private capital flows. Export growth has slowed down sharply over the last three years because of both international and domestic factors. Total import growth also decelerated (Table 6.3). Net inflows on the invisibles account was buoyant in 1997-98, benefiting from sustained growth in software exports. The deficit on the current account of the balance of payments widened to U.S.\$ 6.5 billion or 1.6 per cent of GDP in 1997-98 from 1.1 per cent of GDP in 1996-97. The widening of the current account deficit in 1997-98 was largely attributable to poor export growth. The BOP situation is manageable in 1998-99, despite the continuing slowdown of exports and a marked

deceleration in capital flows. In 1998-99, the current account deficit, as a per cent of GDP, is expected to decline somewhat from the 1997-98 level, mainly because of slower growth of imports on a BOP basis.

5. The capital account of the balance of payments exhibited a handsome surplus of U.S.\$ 10.4 billion in 1997-98, following sustained buoyancy in foreign direct investment and external commercial borrowing, while portfolio inflows fell sharply. The surplus in the capital account of balance of payments in 1997-98 exceeded the deficit in the current account by a substantial margin, resulting in large accretion to foreign exchange reserves amounting to U.S.\$ 3.9 billion (Table 6.2). Total net capital inflows in 1998-99 is expected to be substantially lower than the levels in 1996-97 and 1997-98, reflecting considerable deceleration in the inflows of foreign direct investment and commercial borrowing, and significant outflow of portfolio investments by

**TABLE 6.2**  
**Balance of Payments : Summary**

	(In US \$ million)								
	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99(P)
	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(Apr-Sep.)
1. Exports	18477	18266	18869	22683	26855	32311	34133	34849	16634
2. Imports	27915	21064	24316	26739	35904	43670	48948	51126	24712
Of which : POL	6028	5364	6100	5753	5928	7526	10036	8217	2910
<b>3. Trade balance</b>	<b>-9438</b>	<b>-2798</b>	<b>-5447</b>	<b>-4056</b>	<b>-9049</b>	<b>-11359</b>	<b>-14815</b>	<b>-16277</b>	<b>-8078</b>
4. Invisibles (net)	-242	1620	1921	2898	5680	5460	10321	9804	4993
Non-factor services	980	1207	1129	535	602	-186	851	1143	744
Investment income	-3752	-3830	-3423	-3270	-3431	-3205	-3307	-3520	-1141
Pvt. transfers	2069	3783	3852	5265	8093	8506	12367	11830	5269
Official Grants	461	460	363	368	416	345	410	351	121
<b>5. Current Account Balance</b>	<b>-9680</b>	<b>-1178</b>	<b>-3526</b>	<b>-1158</b>	<b>-3369</b>	<b>-5899</b>	<b>-4494</b>	<b>-6473</b>	<b>-3085</b>
6. External assistance (net)	2210	3037	1859	1901	1526	883	1109	899	-135
7. Commercial borrowing (net)@	2248	1456	-358	607	1030	1275	2848	3999	4605
8. IMF (net)	1214	786	1288	187	-1143	-1715	-975	-618	-199
9. NR deposits (net)	1536	290	2001	1205	172	1103	3350	1125	-393
10. Rupee debt service	-1193	-1240	-878	-1053	-983	-952	-727	-767	-588
11. Foreign investment (net)	103	133	557	4235	4807	4604	5838	4993	707
of which :									
(i) FDI (net)	97	129	315	586	1228	1943	2526	3165	1239
(ii) FIs	0	0	0	1665	1503	2009	1926	979	-601
(iii) Euro equities & others	6	4	242	1984	2076	652	1386	849	69
12. Other flows (net)+	2284	101	-245	2800	2604	-2235	-1131	735	-994
<b>13. Capital account total (net)</b>	<b>8402</b>	<b>4563</b>	<b>4224</b>	<b>9882</b>	<b>8013</b>	<b>2963</b>	<b>10312</b>	<b>10366</b>	<b>3003</b>
<b>14. Reserve use (-increase)</b>	<b>1278</b>	<b>-3385</b>	<b>-698</b>	<b>-8724</b>	<b>-4644</b>	<b>2936</b>	<b>-5818</b>	<b>-3893</b>	<b>82</b>

(P) : Preliminary Actuals.

@ Figures include receipt on account of India Development Bonds in 1991-92 and related repayments, if any, in the subsequent years. Besides, figure for April-Sept. 1998 includes receipt on account of Resurgent India Bonds (RIB).

+ Include, among others, delayed exports receipts and errors & omissions. For the year 1992-93, it also includes errors & omissions arising out of dual exchange rates applicable under the Liberalised Exchange Rate Management System (LERMS).

**TABLE 6.3**  
**Selected Indicators of External Sector**

Item/ Years	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99 (Apr-Sept)
1. Growth of Exports - BOP (%)	-1.1	3.3	20.2	18.4	20.3	5.6	2.1	-5.1
2. Growth of Imports - BOP (%)	-24.5	15.4	10.0	34.3	21.6	12.1	4.4	0.9
(a) of which, POL (%)	-11.0	13.7	-5.7	3.0	27.0	33.4	-18.1	-25.6
3. Exports/Imports - BOP (%)	86.7	77.6	84.8	74.8	74.0	69.7	68.2	67.3
4. Import cover of FER (No. of months)	5.3	4.9	8.6	8.4	6.0	6.5	6.9	7.1
5. External assistance (net)/TC (%)	66.6	44.0	19.2	19.0	29.8	10.8	8.7	-4.5
6. ECB (net)/TC (%)	31.9	-8.5	6.1	12.9	43.0	27.6	38.6	153.3
7. NR deposits/TC (%)	6.4	47.4	12.2	2.1	37.2	32.5	10.9	-13.1
8. Short-term debt / FER (%)	76.7	64.5	18.8	16.9	23.2	25.5	17.2	12.1
9. Debt service payments as % of current receipts	30.2	27.5	25.6	26.2	24.3	21.2	19.5	18.3
	<b>As per cent of GDPmp</b>							
10. Exports	6.7	7.1	8.1	8.1	8.9	8.6	8.3	
11. Imports	7.7	9.4	9.6	10.9	12.0	12.3	12.2	
12. Trade balance	-1.0	-2.2	-1.5	-2.7	-3.1	-3.7	-3.9	
13. Invisibles balance	0.6	0.6	1.0	1.7	1.5	2.6	2.3	
14. Current account balance	-0.3	-1.7	-0.4	-1.0	-1.6	-1.1	-1.6	
15. External Debt	37.7	36.6	33.1	30.0	26.3	23.8	23.8	
16. Debt Service Payments	3.0	2.9	3.1	3.3	3.3	2.9	2.7	

**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) Growth rate of exports and imports during April-Sept. 1998 are growth rates over April-Sept. 1997.
- (vii) The ratios to GDP are based on new series of National Accounts Statistics with 1993-94 as base year released by the CSO on February 3, 1999. The GDP at current market prices for the years 1991-92 and 1992-93 have been interpolated by using average link factor of 1.0878 obtained from the overlapping data for 1993-94 to 1996-97 for which old and new series of GDP at current market prices are available.
- (viii) 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.

FII's. The deceleration in private capital flows in 1998-99 was partly offset by an inflow of U.S.\$ 4.2 billion from Resurgent India Bonds (RIBs) to NRIs/OCBs. During the first ten months of 1998-99, the foreign currency assets of the RBI increased by U.S.\$ 1454 million from U.S.\$ 25,975 million at end-March 1998 to U.S.\$ 27,429 million at end-January 1999.

6. The exchange rate of the Rupee against the U.S. Dollar came under downward pressure intermittently since the last week of August, 1997, attributable, largely, to nervous reactions to the

East Asian financial crisis and uncertainty emanating from domestic developments. During 1998-99, the Rupee depreciated against the U.S. Dollar by about 7.1 per cent from Rs. 39.50 per U.S. dollar in March 1998 to Rs. 42.51 in January 1999. The movements in the exchange rate during the current financial year helped to largely correct for the appreciation of the Rupee in real effective exchange rate terms, which had occurred over the previous year or so because of the adverse inflation differential between India and her major trading partners.