

## Balance of Payments

6.2 The international trading and financial situation has been very unfavourable since the economic and financial crisis of East Asia in July 1997. All over the world, developing countries have been experiencing significant pressures on the balance of payments. Despite this, India's balance of payments remained comfortable in both 1998-99 and 1999-2000 (Table 6.2) partly due to anticipatory policy actions, such as issue of Resurgent India Bonds.

6.3 The deficit in the current account of the BOP in 1998-99 had declined to about 1.0 per cent of GDP (Table 6.3) as against 1.4 per cent in 1997-98, mainly reflecting sharp declines in POL and non-customs imports. Exports (in Dollar value terms), however, recorded a negative growth of 3.9 per cent in 1998-99, after remaining sluggish in the previous two years.

Based on provisional DGCI&S data, exports during the first nine months (April-December) of 1999-2000 have shown a welcome recovery with a growth (in Dollar value) of 12.9 per cent as against a negative growth of 2.9 per cent in the same period of last year. Total imports (in Dollar value), on BOP basis, recorded a negative growth of over 7 per cent in 1998-99, mainly because of a 21.2 per cent decline in POL imports and over 41 per cent decline in non-customs imports. Non-oil customs imports, however, grew by only 6.3 per cent in 1998-99. Reflecting the trends in exports and imports, the deficit on the trade account of BOP in 1998-99 had narrowed to US \$13.25 billion from US \$ 15.51 billion in 1997-98 or from 3.8 per cent of GDP in 1997-98 to 3.1 per cent of GDP in 1998-99. There has, however, been a sharp increase in POL imports (about 58 per cent) in the first nine months of 1999-2000, as international prices of crude have hardened

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

(In US \$ million)

	1990-91	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	(Apr-September)	
	(P)	(P)	(P)	(P)	(P)	(P)	(P)	98-99(P)	99-00(P)
1. Exports	18477	22683	26855	32311	34133	35680	34298	16515	17808
2. Imports	27915	26739	35904	43670	48948	51187	47544	24663	25339
Of which : POL	6028	5754	5928	7526	10036	8164	6433	2910	4460
<b>3. Trade balance</b>	<b>-9438</b>	<b>-4056</b>	<b>-9049</b>	<b>-11359</b>	<b>-14815</b>	<b>-15507</b>	<b>-13246</b>	<b>-8148</b>	<b>-7531</b>
4. Invisibles (net)	-242	2898	5680	5449	10196	10007	9208	5009	4073
Non-factor services	980	535	602	-197	726	1319	2165	1073	36
Investment income	-3752	-3270	-3431	-3205	-3307	-3521	-3544	-1412	-1848
Pvt. transfers	2069	5265	8093	8506	12367	11830	10280	5234	5762
Official Grants	461	368	416	345	410	379	307	114	123
<b>5. Current Account Balance</b>	<b>-9680</b>	<b>-1158</b>	<b>-3369</b>	<b>-5910</b>	<b>-4619</b>	<b>-5500</b>	<b>-4038</b>	<b>-3139</b>	<b>-3458</b>
6. External assistance (net)	2210	1901	1526	883	1109	907	820	-46	113
7. Commercial borrowing (net)@	2248	607	1030	1275	2848	3999	4362	4328	62
8. IMF (net)	1214	187	-1143	-1715	-975	-618	-393	-199	-156
9. Non-resident deposits (net)	1536	1205	172	1103	3350	1125	1742	46	932
10. Rupee debt service	-1193	-1053	-983	-952	-727	-767	-802	-588	-521
11. Foreign investment (net) of which :	103	4235	4807	4615	5963	5353	2312	868	2406
(i) FDI (net)	97	586	1228	1954	2651	3525	2380	1408	1057
(ii) FII's	0	1665	1503	2009	1926	979	-338	-601	954
(iii) Euro equities & others	6	1984	2076	652	1386	849	270	61	395
12. Other flows (net)+	2284	2800	2604	-2235	-1131	-606	-174	-1352	1411
<b>13. Capital account total (net)</b>	<b>8402</b>	<b>9882</b>	<b>8013</b>	<b>2974</b>	<b>10437</b>	<b>9393</b>	<b>7867</b>	<b>3057</b>	<b>4247</b>
<b>14. Reserve use (-increase)</b>	<b>1278</b>	<b>-8724</b>	<b>-4644</b>	<b>2936</b>	<b>-5818</b>	<b>-3893</b>	<b>-3829</b>	<b>82</b>	<b>-789</b>

(P) : Preliminary Actuals.

@ Figures include receipts on account of India Development Bonds in 1991-92 and Resurgent India Bonds in 1998-99 and related repayments, if any, in the subsequent years.

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

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

Item/ Years	1990-91	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00 (Apr-Sept)
1. Growth of Exports - BOP (%)	9.0	20.2	18.4	20.3	5.6	4.5	-3.9	7.8
2. Growth of Imports - BOP (%)	14.4	10.0	34.3	21.6	12.1	4.6	-7.1	2.7
(a) of which, POL (%)	60.0	-5.7	3.0	27.0	33.4	-18.7	-21.2	53.3
3. Exports/Imports - BOP (%)	66.2	84.8	74.8	74.0	69.7	69.7	72.1	70.3
4. Import cover of FER (No. of months)	2.5	8.6	8.4	6.0	6.5	6.9	8.2	7.9
5. External assistance (net)/TC (%)	26.3	19.2	19.0	29.7	10.6	9.7	10.4	2.7
6. ECB (net)/TC (%)	26.8	6.1	12.9	42.9	27.3	42.6	55.4	1.5
7. Non-resident deposits/TC (%)	18.3	12.2	2.1	37.1	32.1	12.0	22.1	21.9
8. Short-term debt / FER (%)	146.5	18.8	16.9	23.2	25.5	17.2	13.5	13.9
9. Debt service payments as % of current receipts	35.3	25.6	26.2	24.3	21.2	19.1	18.0	18.7
	<b>As per cent of GDPmp</b>							
10. Exports	6.2	8.3	8.4	9.2	8.9	8.8	8.2	
11. Imports	9.4	9.8	11.2	12.4	12.8	12.6	11.3	
12. Trade balance	-3.2	-1.5	-2.8	-3.2	-3.9	-3.8	-3.1	
13. Invisibles balance	-0.1	1.1	1.8	1.6	2.7	2.4	2.2	
14. Current account balance	-3.2	-0.4	-1.0	-1.7	-1.2	-1.4	-1.0	-1.5*
15. External Debt	30.4	33.8	30.9	27.1	24.7	24.4	23.5	22.3@
16. Debt Service Payments	3.0	3.1	3.4	3.4	3.0	2.7	2.6	

\* Annualised; @ Debt stock at end September, 1999 as a per cent of estimated GDP for 1999-2000.

**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. 1999 are growth rates over April-Sept. 1998.
- (vii) 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.

sharply. With non-oil customs imports remaining sluggish (growth of 1.1 per cent), total imports, according to provisional DGCI&S data, rose by 9.0 per cent during April-December 1999. Despite an anticipated increase of about US \$ 6 billion in the oil import bill, the current account of deficit is expected to remain well below 2 per cent of GDP, perhaps about 1.6–1.8 per cent.

6.4 Total net capital inflows in 1998-99 (including inflow of US \$4.23 billion from Resurgent India Bonds) at US \$7.87 billion were about US \$1.53 billion lower than in 1997-98. The deceleration was primarily on account of net outflow under portfolio investments by FIIs, as against the annual net inflow in the range of US \$1 to US \$2 billion in the last five years as well as decline in net inflow of private capital in the form of commercial borrowings. The latter

was, in part, on account of substantial widening in emerging market spreads. Total net capital inflows, during the first half of 1999-2000, at US \$ 4.25 billion are higher by about 40 per cent over such inflows in the corresponding period of 1998-99, reflecting mainly a sharp turnaround in portfolio investments by FIIs and a sharp rise in net accretions to non-resident deposits.

6.5 Foreign currency reserves at the end of March 1999 amounted to US \$29.52 billion, an increase of US \$3.55 billion over the end March 1998 level of US \$25.98 billion and they had increased further by US \$2.42 billion in the current financial year to US \$31.94 billion by end January 2000. Including gold and SDRs, total foreign exchange reserves at the end of January 2000 was at a record level of US \$34.90 billion, which provides cover for about 8 months of estimated imports in 1999-2000.