

Balance of Payments

5. The balance of payments (BOP) reverted in 1996-97 to the reserve accumulation situation seen through most of the post-crisis period. The only exception during this period was the reserve draw down seen in 1995-96 (Table 6.1). The comfortable BOP situation was due both to a reduction in the current account deficit and to an increase in net capital inflows. The current account deficit fell from US \$5.9 billion in 1995-96 to US \$3.7 billion in 1996-97. Over the same period, net capital inflows increased from US \$3.0

billion to US \$9.5 billion. As a result, there was a reserve accumulation of US \$5.8 billion during 1996-97 (compared to a reserve draw down of US \$2.9 billion in 1995-96). This was significantly higher than the average accumulation of US \$3.4 billion during 1991-92 to 1996-97.

6. Among the factors in the three fold rise in the net surplus on the capital account to about US \$9.5 billion in 1996-97, were a sharp rise in non-resident deposits, respectable increases in foreign investment flows, net inflow of external assistance and a decline in repayments to the

TABLE 6.1

Balance of Payments : Summary

(In US \$ million)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	(P)	(P)	(P)	(P)	(P)	(P)	(P)
1. Exports	18477	18266	18869	22683	26855	32311	33764
2. Imports	27915	21064	24316	26739	35904	43670	48063
Of which : POL	6028	5364	6100	5753	5928	7526	10067
3. Trade balance	-9438	-2798	-5447	-4056	-9049	-11359	-14299
4. Invisibles (net)	-242	1620	1921	2898	5680	5460	10638
Non-factor services	980	1207	1129	535	602	-186	2407
Investment income	-3752	-3830	-3423	-3270	-3431	-3205	-3250
Pvt. transfers	2069	3783	3852	5265	8093	8506	11071
Official Grants	461	460	363	368	416	345	410
5. Current Account Balance	-9680	-1178	-3526	-1158	-3369	-5899	-3661
6. External assistance (net)	2210	3037	1859	1901	1526	883	1109
7. Commercial borrowings (net)*	2248	1456	-358	607	1030	1275	1009
8. IMF (net)	1214	786	1288	187	-1143	-1715	-975
9. NRI deposits (net)	1536	290	2001	1205	172	1103	3536
10. Rupee debt service	-1193	-1240	-878	-1053	-983	-952	-727
11. Foreign investment (net)	103	133	557	4235	4807	4604	5834
of which :							
(i) DFI (net)	97	129	315	586	1228	1943	2524
(ii) FPIs	0	0	0	1665	1503	2009	1926
(iii) Euro-equities and others	6	4	242	1984	2076	652	1384
12. Other flows (net)*	2284	101	-245	2800	2604	-2235	-307
13. Capital account total (net)	8402	4563	4224	9882	8013	2963	9479
14. Reserve use (- increase)	1278	-3385	-698	-8724	-4644	2936	-5818

(P) Preliminary Actuals.

* Figures include receipt on account of India Development Bonds in 1991-92 and related repayments, if any, in the subsequent years

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

IMF. Gross disbursement of external commercial borrowings in 1996-97 rose significantly, following enhancement of the ceiling on approvals of commercial borrowing in 1995-96 and 1996-97. But net disbursement was about US \$0.3 billion lower than in 1995-96, mainly because of redemption of maturing India Development Bonds in that year, which increased total repayment by about 60 per cent.

7. The current account deficit in 1996-97 was 1.0 per cent of GDP, marginally lower than the

1.1 per cent average over the period 1991-92 to 1996-97 as well as the Eighth Plan average of 1.2 per cent of GDP. A reduction in private investment and consequently in the domestic investment-saving gap of the economy was the primary reason for this reduction in the current account deficit. The current account deficit is expected to go up to about 1.5 per cent of GDP during 1997-98. This compares with an average current account deficit of 1.6 per cent of GDP during the Sixth Plan period (1980-81 to 1984-85) and about 2.3 per cent of GDP during the Seventh Plan period (1985-86 to 1989-90).