

Info Capsule

DEVELOPMENTS IN INDIA'S BALANCE OF PAYMENTS DURING THE FIRST QUARTER (APRIL-JUNE) OF 2017-18¹

Preliminary data on India's balance of payments (BoP) for the first quarter (Q1) i.e., April-June 2017-18 are presented in Statements I² (BPM6 format) and II (old format).

Key Features of India's BoP in Q1 of 2017-18

- India's current account deficit (CAD) at US\$ 14.3 billion (2.4 per cent of GDP) in Q1 of 2017-18 increased sharply from US\$ 0.4 billion (0.1 per cent of GDP) in Q1 of 2016-17 and US\$ 3.4 billion (0.6 per cent of GDP) in Q4 of 2016-17.
- The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit (US\$ 41.2 billion) brought about by a larger increase in merchandise imports relative to exports.
- Net services receipts increased by 15.7 per cent on a y-o-y basis mainly on the back of a rise in net earnings from travel, construction and other business services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, at US\$ 16.1 billion increased by 5.3 per cent over the corresponding quarter of previous year.
- In the financial account, net foreign direct investment at US\$ 7.2 billion in Q1 of 2017-18 almost doubled from its level in Q1 of 2016-17.
- Net portfolio investment recorded substantial inflow of US\$ 12.5 billion in Q1 of 2017-18, primarily in the debt segment, as compared with US\$ 2.1 billion in Q1 of last year.
- Net receipts on account of non-resident deposits amounted to US\$ 1.2 billion in Q1 of 2017-18; this was lower than US\$ 1.4 billion a year ago.
- In Q1 of 2017-18, there was an accretion of US\$ 11.4 billion to the foreign exchange reserves (on BoP basis) as compared with US\$ 7.0 billion in Q1 of 2016-17 (Table 1) and US\$ 7.3 billion in the preceding quarter.

¹ Available at: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=41684#T1

² Available at: http://rbidocs.rbi.org.in/rdocs/content/docs/BOP15092017_SI.xls

Table 1: Major Items of India's Balance of Payments

(US\$ Billion)

	April-June 2017 P			April-June 2016		
	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	140.5	154.8	-14.3	125.0	125.4	-0.4
1. Goods	73.7	114.9	-41.2	66.6	90.5	-23.8
Of which:						
POL	8.2	23.2	-15.1	6.8	19.0	-12.2
2. Services	45.9	27.7	18.2	39.4	23.6	15.7
3. Primary Income	4.8	10.6	-5.8	3.7	10.0	-6.3
4. Secondary Income	16.1	1.7	14.5	15.3	1.3	14.0
B. Capital Account and Financial Account	155.2	141.3	14.0	129.2	129.0	0.2
Of which:						
Change in Reserves (Increase (-)/Decrease (+))	0.0	11.4	-11.4	0.0	7.0	-7.0
C. Errors & Omissions (-) (A+B)	0.4		0.4	0.2		0.2

P: Preliminary

Note: Total of subcomponents may not tally with aggregate due to rounding off.

DOT GUIDELINES FOR SETTLEMENT OF CLAIMS³

Department of Telecommunications has formulated guidelines for settlement of claims for compensation on accidents applicable to this Department and its PSUs so that the compensation to the family of the victims can be paid directly by the authorities without the intervention of the Courts. The guidelines have been effectuated from December 1, 2016.

The guidelines provide for a compensation of Rs.10 Lakh in case of death or permanent disability resulting loss of both limbs and Rs.7 Lakh in case of other permanent disabilities in the event of any accident resulting solely and directly from any unintended and unforeseen injurious occurrence caused during the maintenance, operation and provisioning of any public services undertaken by this Department and its PSUs. This compensation will be in addition to the existing provisions of compensation under various welfare legislations.

A Junior Administrative Grade (JAG) Officer or equivalent has been designated for the purpose of receiving and processing claims for compensation as per the prescribed procedure mentioned in the guidelines and to dispose of the same within 30 days in any case. In case where no application is received from the victim (any person who suffers permanent disablement or dies in an accident as defined in the guidelines)/dependents of victim, the Designated Officer may on receipt of the detailed accident report proceed suo-moto to initiate the process for consideration for grant of the

³ Available at: <http://pib.gov.in/newsite/erelease.aspx>

compensation to the victim/dependents of victims. Detailed guidelines can be downloaded from the Department's website www.dot.gov.in.

BLOCKAGE OF WORKING CAPITAL OF EXPORTERS⁴

There are lot of apprehensions expressed in the media about the problem of blockage of working capital for exporters post-GST. There are various figures also being discussed on the blockage of such funds, which are wild estimates. Such media reports are not based on facts.

- i) First of all, it may be mentioned that in respect of 66% value of exports, exporters have preferred the duty drawback scheme instead of taking actual refund of input taxes in the pre-GST regime. Duty drawback scheme was actually extended in the post-GST regime for a period of 3 months, i.e. upto September 30, 2017, subject to that exporter not taking input tax credit under GST. This means that as of now, for 66% of the value of exports, there is no blockage of funds.
- ii) The remaining 33% of exporters always used to prefer a normal refund route for taxes paid on inputs for Central Excise separately and for VAT separately and that was made available to them only after the actual exports took place and, for such class of exporters, earlier also there was a normal blockage of funds for a period of 5 – 6 months at least except for those using facility of advance authorisation. Hence, the problem is not as grievous as it is made out to be. Notwithstanding this, the Committee on Exports is working on issues of export sector.
- iii) A lot of people are speculating that the refund for inputs in case of exports under GST will be available only when regular form GSTR 3 is filed for every month. This is not the case. We are trying to find a way of giving refund by linking form GSTR 1 with form GSTR 3B and, therefore, for the month of July, where form GSTR 1 is already filed, the authorities would be in a position to process the refund applications. Therefore, the exporters, who have not yet filed form GSTR 1 for July 2017, may be advised to file it immediately and not to wait till the deadline. GSTN application for refund is also getting ready. But, in the meantime, we are also finding other ways of giving refund, if necessary through a manual procedure.
- iv) The Committee on Export set up by the GST Council met on August 19 & 20, 2017 and have discussed various methods of resolving the issue of blockage of funds for the exporters. The Committee also interacted with the exporters of eight sectors who made detailed presentations on the problems being faced by them. The Committee would present the solution to their problems before the GST Council as soon as possible.
- v) In the meantime, the authorities of State Governments as well as Central Government have been requested to clear the pending refund claims of Central Excise and VAT for the pre-GST period, so that the exporters will get immediate relief.

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⁴ Available at: <http://pib.gov.in/newsite/erelease.aspx>