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**RBI releases Its Monthly RBI Bulletin for August 2011**

The Reserve Bank of India today released the August issue of its Monthly RBI Bulletin. The August Bulletin carries four special articles:

(i) Developments in India's Balance of Payments during Fourth Quarter (January-March) of 2010-11

(ii) India's External Debt as at end-March 2011

(iii) Inflation Expectations Survey of Households: June 2011 (Round 24)

(iv) Quarterly Industrial Outlook Survey: April-June 2011 (Round 54).

Highlights of the special articles are:

**1. Developments in India's Balance of Payments during Fourth Quarter (January-March) of 2010-11**

This article covers the analysis of major developments in India's Balance of Payment during the fourth quarter of 2010-11. The data are presented for the first time in a revised format as per the International Monetary Fund’s (IMF) Balance of Payment Manual, Sixth Edition (BPM6). In the new format, capital account has been bifurcated into two separate heads, namely, 'capital account’ and ‘financial account’.

The Reserve Bank has been compiling and publishing the data on India’s Balance of Payments (BoP) on a quarterly basis with a lag of one quarter. The compilation of BoP data is based on the IMF guidelines set out in its Balance of Payments Manual (BPM). The IMF has recently brought out revised Balance of Payment Manual - BPM6, suggesting revised compilation procedure as well as new format of standard presentation of BoP statistics. A working group under the chairmanship of Shri Deepak Mohanty, Executive Director, Reserve Bank of India, in November, 2010 had recommended that the BoP data for India should be presented in the new format of standard presentation of BoP as suggested by the IMF’s BPM6.

The article also gives the Balance of Payments statistics in the old format for 2007-08 to 2010-11 in Annex 1. Further, the correspondence between the old and new format in terms of various components of balance of payments have been given in Annex 2. In addition, the disaggregated data on invisibles for all the quarters of 2010-11, are also published as part of this article.

**Main Findings**

- During Q4 of 2010-11, moderation in trade deficit, resulting from continued growth in merchandise exports coupled with improved net services receipts led to significant contraction in current account deficit (CAD).

- On a BoP basis, goods exports during Q4 of 2010-11 recorded a growth of 17.3 per cent over the preceding quarter while imports rose by 10 per cent. Notably, import of non-monetary gold (import by entities other than central bank) at about US$ 12 billion about 50 per cent rise over the preceding quarter. With higher growth in exports relative to imports, the trade deficit on BoP basis, in absolute terms, moderated to US$ 29.7 billion from US$ 31.4 billion in the preceding quarter.
- Net services recorded a growth of 21.6 per cent as compared to 1.3 per cent rise in the preceding quarter. While net secondary income (transfer) receipts remained buoyant at US$ 13.8 billion there has been net outflow under primary income account (investment income).
- Accordingly, the CAD during Q4 of 2010-11 at US$ 5.4 billion witnessed sharp moderation compared to the earlier quarters during the year as well as to the corresponding quarter of the previous year.
- Financial account witnessed moderation during the quarter primarily on account of portfolio flows and loans especially to the deposit taking institutions. There was a net accretion to foreign exchange reserves of US$ 2.0 billion during the quarter (excluding valuation).

## 2. India's External Debt as at end-March 2011

The article on India’s External Debt places India’s external debt, as at end-March 2011, at US$ 305.9 billion or 17.3 per cent of GDP. The article also provides tables and charts on various details on external debt like External Debt Outstanding, External Debt by Component, Currency Composition, Instrument-wise classification, Short-Term Debt by Original Maturity and Residual Maturity. A detailed account of external debt as compiled in the standard format as at end-March 2011 in Rupee and US Dollar terms and revised data for the earlier quarters are provided in Statements 1 and 2. The article also provides a cross-country comparison of external debt among select developing countries.

### Main Finding

- The long-term debt at US$ 240.9 billion and short-term debt at US$ 65 billion accounted for 78.8 per cent and 21.2 per cent, respectively, of the total external debt.

## 3. Inflation Expectations Survey of Households: June 2011 (Round 24)

This article presents the findings of Inflation Expectations Survey of Households conducted in the April-June 2011 quarter, the 24th round in the series. The survey captures the inflation expectations of 4,000 urban households across 12 cities for the next three months and for the next one year.

These expectations are based on households’ individual consumption baskets and hence, these rates are not to be considered as predictors of any official measure of inflation. The households’ inflation expectations provide useful directional information on near-term inflationary pressures and also supplement other economic indicators to get a better indication of future inflation. The survey reflects expectations of the respondents and not of the Reserve Bank of India.

### Main Findings

- The inflation expectations of households for the next three-month ahead have tended to be slightly lower at 11.8 per cent from 11.9 per cent assessed during the last round of survey, however, for next one-year ahead they have moved slightly higher at 12.9 per cent from 12.7 per cent.

- Households expect inflation to rise further by 60 and 170 basis points during next quarter and next year respectively from the perceived current rate of 11.2 per cent.
- Unlike in last round of the Survey, the percentage of respondents expecting price rise have gone up for all product groups (*viz*., food, non food, households durables, housing and services).
- On category-wise inflation expectations, daily-wage workers and housewives expect higher inflation rates compared with other categories. Across the cities, households in Bangalore expect the highest inflation while expectations to be the lowest for Hyderabad.
- 25 per cent of the respondents felt that Reserve Bank is taking necessary action to control inflation, out of this, 51 per cent felt that Reserve Bank's action has an impact on controlling inflation.

**4. Quarterly Industrial Outlook Survey: April-June 2011 (Round 54)**

This article presents the survey findings of the $54^{th}$ round of the Industrial Outlook Survey. The survey was conducted for the April-June 2011 quarter and gives the assessment of business situation of companies in manufacturing sector, for the quarter April-June 2011, and their expectations for the ensuing quarter July-September 2011.

**Main Findings**

- The survey results signal moderation of business conditions in the Indian manufacturing sector for assessment quarter as well as expectation quarter.
- The Business Expectation Index – a measure that gives a single snapshot of the industrial outlook in each study quarter – declined from 122.0 to 116.3 for assessment quarter and marginally from 121.9 to 121.5 for the expectation quarter; however, it still remains much higher than 100 which is the threshold that separates contraction from expansion.

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