Y V Reddy: Dynamics of balance of payments in India

Text of the First Diamond Jubilee Lecture delivered by Dr Y V Reddy, Governor of the Reserve Bank of India, at the Inauguration of the Diamond Jubilee Celebrations of the Department of Commerce, Osmania University, Hyderabad, 16 December 2006.

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Vice-Chancellor Professor Siddiqi, Prof. J. Satyanarayana, Dr. J. Rameshwar Rao, Prof. Purushotham Rao, Prof. Ali Khan, faculty members and distinguished friends,

I am honoured by the kind invitation of the Vice-Chancellor to me to be the Chief Guest and to deliver the first Diamond Jubilee lecture of the Department of Commerce, Osmania University. I specifically owe a deep debt of gratitude to Osmania University and I have also been proud to acknowledge it.

In August 1960, Prof. V. V. Ramanadham consented to be my guide for Ph.D. after a grueling test of an essay on competition, thus making the beginning of my association with the University. I joined the University as a full-time research scholar and continued with the research work. I was initiated in to the intricacies and joy of research in applied economics by the faculty of the Department of Commerce, specially through the Weekly Seminars in Applied Economics. My first seminar participation was in February 1962 on monopoly power in India. In these seminars, the participants used to include the distinguished civil servants, academicians, businessmen, etc. It also included Mr. B.P.R. Vithal, a highly respected civil servant who was, at that time, the Registrar of the University and has subsequently become my esteemed 'Guru'. The two earliest research articles published by me were in the quarterly journal "Applied Economics Papers"; one of them as a co-author, with this publication having a globally distinguished editorial board. During this period in the University, I came into contact with eminent persons like Dr. I.G. Patel, later Governor, Reserve Bank of India and Mr. S. S. Khera, Cabinet Secretary. Subsequently, since Prof. Ramanadham had by then left for the United Nations, I had the good fortune of being guided by Prof. G. Ram Reddy and Prof. J. Satyanarayana, which enabled me to complete my Ph.D.

As some of you may know, I had a second spell in the Osmania University in the academic year 1985-86 when I came back here as a full time UGC Visiting Professor in the Department of Business Management, on deputation from the Government of Andhra Pradesh, where I was a Secretary to the Government. In fact, Prof. Raghuram had then commented that my spirit had been hovering around here and that I had never left the University. This stint provided me a break to sit back, contemplate and review my understanding of the Indian economy. It is this campus, which actually gave me an inspiration to revisit the relative roles of the State and market in India. This permeated not only my subsequent academic work in the Administrative Staff College of India as well as the London School of Economics, but also my participation in the exciting adventure of economic reforms, particularly the external sector reforms since 1991. In the 15 years of reforms, we have moved away from crisis management in the external sector to a confident conduct of public policy. It is, therefore, useful to review our experience in this regard particularly since commerce is now a lot more globalised than ever before and is likely to become even more internationalised in future.

I intend presenting before you the dynamics of balance of payment in India since independence and will conclude with a few remarks on the way forward. Normally, I do not take recourse to detailed tables, charts, etc., but in this case, I will be using several tables. I am doing it as a tribute to Prof. Ramanadham who always insisted that there should not be a single superfluous word and every sentence should emanate from solid data presented with specific objectives, scope, limits and methodology. In a way, therefore, my address today is dedicated to Prof. Ramanadham.

At the time of independence, higher imports and capital outflows, led by partition, resulted in significant deficit in the balance of payments necessitating running down of the accumulated sterling balances. As the country embarked upon the planned development in the fifties, rapid industrialisation of the country through development of basic and heavy industries guided the industrial and trade policies during the First (1951-56) and the Second (1956-61) Five-Year Plans. 'Import substitution' was recognised as the appropriate strategy for rapid industrialisation.

Export pessimism permeated the policy stance throughout the early decades of our Planning. This thinking was based on the four premises, which were considered appropriate at that time. First, it was believed that only after industrialisation had proceeded some way that increased production would be

reflected in larger export earnings. Secondly, it was argued that given the large domestic market, exports need not be an engine of growth. Thirdly, growth in external demand for India's products was likely to be inelastic because of the traditional nature of our exports. Finally, there was what was known as the Prebisch-Singer argument that primary commodity exports face a secular deterioration in the terms of trade. Accordingly, exports were regarded as a residual, a vent-for-surplus on those occasions when such surpluses were available.

The inward looking industrialisation strategy during the first three Plans resulted in higher rate of industrial growth. However, the signs of strain in the balance of payments were clearly visible in the Second Plan (see Table 1 attached for trends in India's current account). As the import demand surged on account of development of heavy industries, current account deficit (CAD) in the Second Plan surged to 2.3 per cent of GDP. The difficulties in financing fast growing imports with stagnant exports put considerable strain on reserves as import cover of reserves (or foreign currency assets) plunged to barely two months' by the terminal year of the Second Plan. In the Third Plan, improved export performance and slowdown in import demand led to some improvement in CAD and at the same time the financing requirements were met through stepping up of official assistance.

The Third Plan reflected the first signs of rethinking in the policy strategy by dedicating itself to 'self sustaining growth', which required 'domestic saving to progressively meet the demand of investment and for the balance of payment gap to be bridged over'. While it envisaged that normal capital flows will continue, it set out the early indications of the concept of self reliance by foreseeing a steady reduction in the reliance on special foreign aid programmes and dispensing with them after a period of time. A more liberal view of self reliance evolved over the Third Plan with a shift in stress from 'import substitution' to policy emphasis on 'efficient substitution of imports'. However, in reality, until the end of the 1970s, exports were primarily regarded as a source of foreign exchange rather than an efficient means of resource allocation. Though the devaluation of 1966 brought to the fore the problems associated with the overvalued exchange rate, it did not bring immediate desired improvement in the balance of payments position. In fact, CAD-GDP ratio widened to 2.0 per cent during the Annual Plans (1966-69).

Unlike the export pessimism of the earlier Plans, the Fourth Plan (1969-74) visualised an aggressive approach to export growth for achieving self reliance. As a consequence, trade policy became the primary instrument for achieving a more dynamic concept of self reliance than what was prevalent in the earlier decades. However, it was in the Fifth Plan (1974-79) that self reliance was recognised as an explicit objective. In the Fifth Plan, invisibles surfaced as an important element of the current account with policy attention on tourism and shipping. Discovering the remittances from Indian workers as a new source of meeting the growing financing needs, the period witnessed new confidence in the external sector and prepared the ground work for take off to the exchange rate regime based on a basket arrangement initiated since 1975. The fact remains that the phase till the 1970s represented the era of the dominance of external assistance as a financing instrument in balance of payments. (See Table 2 for net capital inflows to India).

The second oil price shock was the precursor of another phase of strain on India's balance of payments. However, emergence of rising invisible surplus in India's balance of payments helped neutralise the widening trade deficit. Notwithstanding this, the CAD averaged 1.5 per cent of the GDP in the Sixth Plan. Against the backdrop of second oil shock, the decade of the 1980s brought the balance of payments position to the forefront of the macroeconomic management. The Sixth Plan (1980-85) emphasised the strengthening of the impulses of modernisation for the achievement of both economic and technological self reliance. The Seventh Plan (1985-90) noted the conditions under which the concept of self-reliance was defined earlier, particularly in the preceding Plan. It conceptualised self-reliance not merely in terms of reduced dependence on aid but also in terms of building up domestic capabilities and reducing import dependence in strategic materials. Achievement of technological competence through liberal imports of technology was also envisaged. Alongside, the winds of change were added by the recommendations of a number of committees set up during the late 1970s and the 1980s.

Some critical developments in India's balance of payments gathered momentum in the second half of the 1980s (i.e., Seventh Plan, 1985-90) that made the management of India's balance of payments the most challenging task. The Plan targeted to achieve a high growth rate and recognised that the management of balance of payments was critically dependent on a sizeable improvement in earnings from exports and from invisibles. It conceptualised self reliance not merely in terms of reduced dependence on aid but also in terms of building up domestic capabilities and reducing import dependence in strategic materials. However, several developments that put severe pressure on the

balance of payments position during the Plan need attention. First, the CAD assumed a structural character in the 1980s. With underlying expansion in economic activities, exports and imports grew in tandem, keeping the trade deficit at a high level. The invisible balance also deteriorated sharply due to stagnation in worker's remittances and rising interest burden due to building up of external debt. Second, with flows of external assistance falling short of the financing need, recourse to costly sources of finance in the form of external commercial borrowings (ECB), especially short term debt and non-resident deposits, became relatively large. Third, persistence of high fiscal deficit averaging 8.7 per cent of GDP (Centre and States) in the latter half of the 1980s, which could be only partly financed by the private sector surplus, thus, became a cause of deteriorating CAD. Fourth, higher reliance on monetary financing of deficits also led to rise in inflation to double digit in the early 1990s, adversely affecting the relative price competitiveness of India's exports. Some possible misalignment of exchange rate, thus, resulted in loss of export competitiveness of exports and bias towards imports.

The rising financing requirements described above required not only higher recourse to external debt but also draw down of reserves, which declined to US $ 4 billion by end-March 1990 from US $ 7.4 billion at end-March 1980. (See Table 3 for India's outstanding foreign exchange reserve position; and Tables 4 and 5 for components of external debt and India's external debt indicators, respectively).

The weaknesses in the Indian economy were exposed by the Gulf crisis of 1990 and ensuing developments. The current account deficit rose to 3.1 per cent of GDP in 1990-91. Around the same time, credit rating of the country was lowered, restricting the country's access to commercial borrowings and unwillingness on the part of normal banking channels to provide renewal of short-term credit to Indian banks abroad. As reserves kept on falling on expectations of an impending depreciation of Rupee, there was a temporary loss of confidence leading to a flight of Non Resident Indian (NRI) deposits.

The severity of the balance of payments crisis in the early 1990s could be gauged from the fact that India's foreign currency assets depleted rapidly from US $ 3.1 billion in August 1990 to US $ 975 million on July 12, 1991. I must admit that I entered the policy circuit in Ministry of Finance, Government of India during this period. As a result of the crisis, a conscious decision was taken to honour all debt obligations without seeking any rescheduling and several steps were taken to tide over the crisis. The steps undertaken towards this objective included, among others, pledging our gold reserves, tightening of non-essential imports, accessing credit from the IMF and other multilateral and bilateral donors.

After the Gulf crisis in 1991, the broad framework for reforms in the external sector was laid out in the Report of the High Level Committee on Balance of Payments, popularly known as Rangarajan Committee, as it was chaired by Dr. C. Rangarajan, former Governor of the Reserve Bank of India and currently Chairman of the Economic Advisory Council to the Prime Minister. After downward adjustment of the exchange rate in July 1991, following the recommendations of this Committee to move towards the market-determined exchange rate, we adopted the Liberalised Exchange Rate Management System (LERMS) in March 1992 involving dual exchange rate system in the interim period. The LERMS was essentially a transitional mechanism and a downward adjustment in the official exchange rate took place in early December 1992 and ultimate convergence of the dual rates was made effective from March 1, 1993, leading to the introduction of a market-determined exchange rate regime. (See Table 6 for Movements of Indian rupee from 1993-94 to 2005-06). The unification of the exchange rate of the Indian rupee was an important step towards current account convertibility, which was finally achieved in August 1994 by accepting Article VIII of the Articles of Agreement of the IMF. Capital account liberalisation started as a part of wide-ranging reforms beginning in the early 1990s. The Rangarajan Committee recommended, *inter alia*, liberalisation of current account transactions leading to current account convertibility; need to contain current account deficit within limits; compositional shift in capital flows away from debt to non-debt creating flows; strict regulation of external commercial borrowings, especially short-term debt; discouraging volatile elements of flows from non-resident Indians; gradual liberalisation of outflows; and disintermediation of Government in the flow of external assistance.

A credible macroeconomic, structural and stabilisation programme encompassing trade, industry, foreign investment, exchange rate, public finance and the financial sector was put in place creating an environment conducive for the expansion of trade and investment. It was recognised that trade policies, exchange rate policies and industrial policies should form part of an integrated policy framework if the aim was to improve the overall productivity, competitiveness and efficiency of the economic system, in general, and the external sector, in particular.

With the onset of structural reforms in 1991-92, accompanied initially by severe import compression measures and determined efforts to encourage repatriation of capital, there was a turnaround in the second half of 1991-92. Over the next two years (1993-95), mainly due to foreign investment flows, robust export growth and better invisible performance, the balance of payments situation turned comfortable and reserves surged by US $ 14 billion. A combination of prudent and unique policies for stabilisation and structural change ensured that the crisis did not translate into generalised financial instability. In the 1990s, the lessons drawn from managing the crisis led to external sector policies that emphasised the competitiveness of exports of both goods and services, a realistic and market-based exchange rate regime, external debt consolidation and a policy preference for non-debt creating capital flows. These policies ensured that the current account deficit remained around one per cent of gross domestic product (GDP) and was comfortably financed even as the degree of openness of the economy rose significantly relative to the preceding decades and capital flows began to dominate the balance of payments.

Since the mid-1990s, the management of the capital account with emphasis on risk averseness has assumed importance in the overall framework of macro economic decision making processes. While the capital account has to continue to perform its conventional role of meeting the economy's external financing needs, the massive movement of capital through globally integrated financial markets imposes new constraints on the content and goals of policy. The pace and sequencing of liberalisation of capital account in India has been gradual in response to domestic developments, especially in the monetary and financial sector, and the evolving international financial architecture.

In recent years the capital account has been dominated by flows in the form of portfolio investments including GDR issues, foreign direct investments and to a lesser extent, commercial borrowings and non-resident deposits, while traditionally, external aid was the only major component of the capital account. The compositional shifts in the capital account have been consistent with the policy framework, imparting stability to the balance of payments.

In the recent past, there has been significant liberalisation on the outflows on account of individuals, corporates and mutual funds recently, consequent upon, among other things, comfortable level of foreign exchange reserves and greater two way movement in exchange rate of the rupee. This is reflected in the increasing global operations of Indian corporates in search of global synergies and domain knowledge. Transfer of technology and skill, sharing of results of R&D, access to wider global markets, promotion of brand image, generation of employment and utilisation of raw materials available in India and in the host country are other significant benefits arising out of such overseas investments.

With significant opening up of the capital account, particularly on inflows, there were sustained foreign capital inflows since 1993-94. The net foreign assets of the Reserve Bank have also increased warranting open market operations involving sale of Government of India securities from the Reserve Bank's portfolio and repo transactions - in order to offset the liquidity created by the purchases of foreign currency from the market; though use of cash reserve ratio is not uncommon. A Market Stabilisation Scheme (MSS) was introduced in April 2004 wherein Government of India dated securities/Treasury Bills are issued to absorb liquidity. Proceeds of the MSS are immobilised in a separate identifiable cash account maintained and operated by the Reserve Bank, which is used only for redemption and/or buyback of MSS securities.

Importance of retaining external competitiveness and stability: the way forward

In the present milieu, what are the issues that acquire considerable importance from the perspective of continued strengths in balance of payments?

First, the focus of external sector policy will have to continue to be on maintaining competitiveness in terms of expansion of our trade in goods and services on a sustained basis. At the aggregate level, competitiveness can be assessed in terms of trade-GDP ratio, export growth of both goods and services, and their price competitiveness. Improvements in infrastructure assume critical importance for maintaining and improving our competitiveness. We can no longer view external sector competitiveness in isolation from domestic economy.

Second, the realised product competitiveness is embedded in the shifts in the commodity composition of India's trade. India's export base (*i.e.,* the commodity and country composition) is far more diversified now than it used to be in the early 1990s. Rising import intensity of exports is another sign of Indian industry bracing up to higher level of competition. The preponderance of imports of capital

goods in import basket of India points to industrial capacity expansion with emphasis on quality of products for domestic consumption as well as exports. The world is moving forward very fast and hence productivity, increases in India have to equal and exceed that of the best producer in the world. The benchmark for our competitiveness in future is not our past but the emerging best in the field globally.

Third, progressive reductions in peak tariff rates on imports have provided Indian industry access to new technology and inputs. The positive developments in the external sector enable a further rationalisation of tariffs with a view moving to a single, uniform rate on imports and further simplifying procedures in line with best global practices. The current external environment, including the level of the foreign exchange reserves, enables such a move to be made with minimal downside risks.

Fourth, in the current international context, movements in national current account balances are increasingly being recognised as manifestations of the global imbalances. The empirical evidence indicates that even current account deficits, which appear optimising from an inter-temporal perspective or are on account of private sector imbalances, run the risk of sharp reversals. Hence, the need to keep current account deficits within manageable limits – an approach followed by India in its external sector management since the early 1990s. In this regard, It is necessary to recognise the significance of approach to the Eleventh Five Year Plan 'towards faster and more inclusive growth' adopted by the National Development Council last week (9th December, 2006). It is gratifying to note that the average CAD-GDP ratio indicated is 2.8 per cent for the target growth rate of 9 per cent, thus ensuring continued comfortable level of current account deficit, as we move forward.

Fifth, the current account deficit being the mirror image of the absorptive capacity of the economy should truly reflect the interplay of productive activities and the domestic absorption. Looking at the current account deficits from the angle of macroeconomic management, one should really view the current account, which, represents the demand and supply of goods and services and reflect the domestic fundamentals of growth and employment. Keeping these issues in mind, current account deficit (CAD) has to be viewed in two ways: (i) a conventional measure including all current account flows, and (ii) an adjusted measure of CAD, where workers' remittances are excluded from the current account as these represent broadly the exogenous component not driven essentially by the current pace of domestic activities and employment. The current account deficit, in a conventional sense, remained at a moderate level during last three Plans. However, an adjusted measure of CAD indicates that rapid expansion in domestic economic activities in the recent years has been reflected in higher absorption through external sector. In this light, the indicative CAD over the eleventh Five-Year Plan reflects significantly higher absorptive capacity than what the CAD to GDP ratios indicate. (See Table 7 for adjusted measure of current account balance)

Sixth, the policies for FDI are critical since relative to portfolio flows they are less volatile. While the emphasis is on dismantling of regulatory entry barriers, it is necessary to ensure that they are not portfolio flows in the garb of FDI. It must be recognised that overall investment climate must be improved so that both domestic and foreign investors are attracted. In the final analysis, well over ninety per cent of our investment has to be funded by domestic saving. Hence, generalised improvements in investment climate are crucial and FDI flows will also be enabled by such an environment. Overall, consistency in legal framework within the country and in line with international standards modified to suit our needs, and accompanying State level reforms would be useful in this regard. Overall, flexibilities are essential for supply and demand responses to price signals, which are critical for improving investment climate and more generally, for an open economy that best serves the national interest.

Finally, the gross volume of capital account transactions has been rising at a rapid pace, with bi-directional flows. Capital flows are managed from the viewpoint of avoiding adverse impact on primary liquidity growth and inflationary pressures. Capital flows are to be seen in the context of supply response of the economy and vulnerabilities or potential for shocks. A key issue in managing the capital account is credibility and consistency in macroeconomic policies and the building up of safety nets in a gradually diminishing manner to provide comfort to the markets during the period of transition from an emerging market to an evolved market. This also underscores the importance of continuing prudential regulations over financial intermediaries in respect of their foreign exchange exposures and transactions, which are quite distinct from capital controls.

Let me conclude by thanking you all for giving me this opportunity and wishing the Diamond Jubilee Celebrations all the best.

Thank you.

Table 1: Trends in India's Current Account
(Average for the Plan Period)

Plan	Period	Percentage Growth		Per cent to GDP			
		Exports	Imports	TD/GDP	Net Invisibles/ GDP	Remittances/ GDP	CAD/ GDP
First	1951-56	0.6	7.2	-1.0	0.9	0.5	-0.1
Second	1956-61	0.0	9.4	-3.1	0.8	0.4	-2.3
Third	1961-66	4.7	4.8	-2.1	0.3	0.2	-1.8
Annual	1966-69	3.6	-5.1	-2.1	0.1	0.2	-2.0
Fourth	1969-74	10.7	9.8	-0.7	0.4	0.2	-0.3
Fifth	1974-79	18.2	22.7	-1.2	1.3	0.8	+0.1
Annual	1979-80	14.7	27.0	-2.8	2.4	1.5	-0.4
Sixth	1980-85	5.2	6.3	-3.5	2.0	1.3	-1.5
Seventh	1985-90	11.4	9.4	-3.0	0.8	0.9	-2.2
Annual	1990-92	3.9	-5.1	-2.0	0.3	1.0	-1.7
Eighth	1992-97	13.6	18.7	-2.7	1.5	2.3	-1.2
Ninth	1997-02	5.9	3.1	-3.2	2.6	2.8	-0.6
Tenth	2002-07*	23.8	29.7	-3.9	4.4	3.3	0.5
	2002-03	20.3	14.5	-2.1	3.4	3.4	1.3
	2003-04	23.3	24.1	-2.3	4.6	3.7	2.3
	2004-05	28.5	48.6	-4.9	4.5	3.0	-0.4
	2005-06	23.0	31.5	-6.5	5.1	3.1	-1.3

*: Includes first four years of the Plan.
TD: Trade Deficit CAD: Current Account Deficit GDP: Gross Domestic Product at Current Prices

Table 2: Net Capital Inflows to India
(Average for the Plan Period)

(US $ million)

Plan	Period	Net Capital Flows	*Of which*			
			Foreign Invest.	EA	ECB	NRI Deposits
First	1951-56	-18	20	23	-	-
Second	1956-61	418	48	284	-	-
Third	1961-66	801	51	825	-	-
Annual	1966-69	1018	46	1103	-	-
Fourth	1969-74	178	49	188	49	-
Fifth	1974-79	969	13	1097	177	131
Annual	1979-80	1090	86	813	55	201
Sixth	1980-85	2042	0	1149	574	457
Seventh	1985-90	5821	349	1825	1513	1813
Annual	1990-92	5483	118	2624	1852	913
Eighth	1992-97	7578	4134	1456	1080	1566
Ninth	1997-02	9253	5586	852	2279	1739
Tenth	2002-07*	20568	14293	-575	683	2111

ECB: External Commercial Borrowings. EA: External Assistance.
*: Includes first four years of the Plan. - Nil

Table 3 : India's Outstanding Foreign Exchange Reserve Position (Average for the Plan Period)

Plan	Period	Outstanding Reserve (Average)		Import Cover
		(US $ billion)	Per cent to GDP	(In months)
First	1951-56	1.9	8.3	15.1
Second	1956-61	0.9	3.0	4.8
Third	1961-66	0.6	1.3	2.9
Annual	1966-69	0.7	1.5	3.1
Fourth	1969-74	1.2	1.7	5.2
Fifth	1974-79	4.1	3.5	6.7
Annual	1979-80	7.4	4.9	7.3
Sixth	1980-85	5.5	2.9	4.1
Seventh	1985-90	5.6	2.1	3.4
Annual	1990-92	7.5	2.8	3.9
Eighth	1992-97	20.5	6.4	6.9
Ninth	1997-02	39.3	9.0	8.7
Tenth	2002-07*	120.5	17.9	14.3

*: Pertains to first four years of the Plan.

Table 4: Share of Major Components in India's External Debt

Year (End-March)	External Debt Outstanding (US $ million)	*Of Which (in per cent)* External Assistance	NRD	ECB
1970-71	10,417	89.7	-	10.3
1980-81	22,616	72.8	5.9	19.9
1990-91	83,801	41.8	12.1	12.2
1995-00	93,730	51.0	11.7	14.8
2000-01	101,326	46.5	16.4	24.1
2005-06	125,181	38.6	28.1	20.4
		As per cent to GDP		
1970-71	17.2	15.5	-	1.8
1980-81	12.4	9.1	0.7	2.5
1990-91	26.4	11.1	3.2	3.2
1995-00	26.4	13.5	3.1	3.9
2000-01	22.0	10.2	3.6	5.3
2005-06	15.7	6.1	4.4	3.2

Note: The data for 1970-71 and 1980-81 are based on the old definition.

Table 5 :India's External Debt Indicators

Year	Debt Service Ratio	Short Term Debt/Total Debt
1970-71	34.5	-
1980-81	9.7	-
1990-91	35.3	10.2
1995-00	26.2	5.4
2000-01	16.6	3.6
2005-06	10.2	7.0

Note: Data for 1970-71 and 1980-81 are based on old definition.

Table 6: Movements of Indian Rupee 1993-94 to 2005-06

Year	Range (Rupees per US $)	Coefficient of Variation (%)
1993-94	31.21-31.49	0.1
1994-95	31.37-31.97	0.3
1995-96	31.37-37.95	5.8
1996-97	34.14-35.96	1.3
1997-98	35.70-40.36	4.2
1998-99	39.48-43.42	2.1
1999-00	42.44-44.79	0.7
2000-01	43.61-46.89	2.3
2001-02	46.56-48.85	1.4
2002-03	47.51-49.06	0.9
2003-04	43.45-47.46	1.6
2004-05	43.36-46.46	2.3
2005-06	43.30-46.33	1.5
2006-07 (April-Nov)	44.44-46.97	1.1

Table 7: Adjusted Measure of Current Account Balance (Average for the Plan Period)

(Per cent to GDP)

Plan Period		Trade Deficit	Current Account Deficit	
			Actual	Adjusted for Private Transfers (Remittances)
First	(1951-56)	-1.0	-0.1	-0.6
Second	(1956-61)	-3.1	-2.3	-2.7
Third	(1961-66)	-2.1	-1.8	-2.0
Annual	(1966-69)	-2.1	-2.0	-2.2
Fourth	(1969-74)	-0.7	-0.3	-0.5
Fifth	(1974-79)	-1.2	+0.1	-0.7
Annual	(1979-80)	-2.8	-0.4	-1.9
Sixth	(1980-85)	-3.5	-1.5	-2.8
Seventh	(1985-90)	-3.0	-2.2	-3.1
Annual	(1990-92)	-2.0	-1.7	-2.7
Eighth	(1992-97)	-2.7	-1.2	-3.5
Ninth	(1997-02)	-3.2	-0.6	-3.4
Tenth	(2002-07)*	-3.9	0.5	-2.8
	2002-03	-2.1	1.3	-2.1
	2003-04	-2.3	2.3	-1.4
	2004-05	-4.9	-0.4	-3.4
	2005-06	-6.5	-1.3	-4.4

*: Pertains to first four years of the Plan.