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RESERVE BANK OF INDIA

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RBI releases its monthly Bulletin for July 2013

The Reserve Bank of India today released the [July 2013](#) issue of its monthly Bulletin. The Bulletin includes four special articles: (i) International Banking Statistics of India: June, September and December 2012; (ii) Survey on International Trade in Banking Services: 2011-12; (iii) India's Foreign Trade: 2012-13 and (iv) Industrial Outlook Survey: 2012-13.

1. International Banking Statistics of India: June, September and December 2012

This article presents analysis of the Locational Banking Statistics based on international assets and liabilities by type of instrument/components, currency, country of residence and sector of counter-party/transacting unit, and nationality of banks functioning in India. The data on Consolidated Banking Statistics give international/foreign claims as per residual maturity and sector of borrower along with the exposures by country of immediate borrower and on the reallocation of claims (*i.e.*, risk transfers) to the country of ultimate risk. The related data have been released earlier through a press release on [June 21, 2013](#).

Main Findings:

- International liabilities (in ₹ terms) of the banks located in India grew substantially (y-o-y) by 25.5 per cent in December 2012, whereas their international assets declined by 1.4 per cent. This is in contrast with the position observed during the financial year 2011-12. Business in India of such banks also recorded some deceleration in the quarter ended December 2012.
- Globally, international banking business contracted during 2012.
- The growth in international liabilities is contributed mainly by NRE deposits and Foreign Currency borrowings and decline in international assets is due to substantial decline in NOSTRO balances.
- During 2012, increase in international liabilities was reflected in increase in exposure towards the USA, UK and UAE, whereas the decline in international assets was reflected towards the USA, Singapore, Hong Kong and France.
- As at end-December 2012, the US Dollar turned out to be the major component of international liabilities with a share of 80.5 per cent and for international assets the INR was the major component with a share of 57.0 per cent.

- The international claims of Indian banks, on immediate risk basis, on all other countries increased at a lower rate of 15.0 per cent as at end-December 2012 as compared to 16.2 percent for the previous year. Out of total international claims, the exposure towards banking sector grew at 11.7 per cent and that towards non-bank sector increased at 16.8 per cent.
- The consolidated foreign claims on ultimate risk basis grew at 11.2 per cent at end-December 2012 as compared to 15.4 per cent growth observed a year ago; the growth is reflected towards Hong Kong, UAE and Canada.
- The growth in consolidated foreign claims towards India was below that of BRICS nations put together till Q2:2012. However, the situation reversed in Q4:2012 when claims in India grew by 10.0 per cent which was higher than 6.8 per cent for BRICS nations.

2. Survey on International Trade in Banking Services: 2011-12

The survey provides an assessment on international trade in banking services (ITBS) for India in respect of the branches/subsidiaries of Indian banks operating abroad and branches/subsidiaries of foreign banks operating in India. This article presents the findings of 2011-12 round of the ITBS survey along with time series analysis from 2008-09 onwards. The data related to the results of the Survey have been released earlier through a press release on **April 18, 2013**.

Main Findings:

- The operations of foreign banks operating in India as well as overseas branches/subsidiaries of Indian banks operating abroad, showed an improvement in 2011-12. This was reflected in changes in size of their balance sheets, activity-wise and country-wise composition of fee income and profitability ratios.
- Bahrain, Belgium, Hong Kong, Japan, Singapore, Sri Lanka, UAE, UK and USA were the major countries which accounted together for nearly 91 per cent of the total trade in banking services of the branches of Indian banks operating abroad during 2011-12.
- During 2011-12, 309 branches of foreign banks operating in India generated total fee income of ₹94.3 billion. In case of branches of Indian banks operating outside India, total fee income generated was ₹68.0 billion.

Indian banks' branches operating abroad generated major share of fee income by rendering credit related services and trade finance related services. 'Derivative, stocks, securities, foreign exchange trading services' and 'financial consultancy and advisory services' were the major source of fee income for the foreign banks operating in India.

3. India's Foreign Trade: 2012-13

The stress on the external sector persisted in 2012-13 as India's trade deficit continued to grow. While merchandise export performance remained subdued, import growth decelerated. However, owing to a sharp decline in exports, the trade deficit widened to US\$ 190.9 billion in 2012-13 as compared with US\$ 183.4 billion in 2011-12.

Highlights:

- India's merchandise exports stood at US\$ 300.6 billion in 2012-13, showing a decline of 1.8 per cent as compared to a growth of 21.8 per cent in 2011-12 amounting to US\$ 306.0 billion.
- The decline in merchandise exports in 2012-13 was led by decline in exports of manufacturing items like engineering goods, textiles, gems and jewellery and also primary products like iron ore and minerals.
- Lackluster performance of India's exports mainly reflected the sluggish global demand as exports to almost all the major destinations, particularly, EU, UAE, US and China either declined or showed a lower growth.
- Imports during the year grew by 0.4 per cent to US\$ 491.5 billion as against a growth of 32.3 per cent in 2011-12 (US\$ 489.3 billion).
- While the overall imports grew by only 0.4 per cent, oil imports showed a rise of 9.3 per cent. Other components such as gold and non-oil non gold imports declined by 4.8 per cent and 3.4 per cent, respectively.

4. Industrial Outlook Survey: 2012-13

The Reserve Bank's quarterly Industrial Outlook Survey gives insight into the perception of the public and private limited companies engaged in manufacturing activities about their own performance and prospects. This article analyses the quarterly trends of the Indian manufacturing sector during 2012-13. The response rate was between 65 per cent and 78 per cent for the survey.

Main Findings:

- Demand conditions in the manufacturing sector weakened during 2012-13, as reflected in the drop in production, weak new orders growth, declining capacity utilisation and subdued exports and imports.
- The optimism on financial condition also showed some moderation with overall financial condition moderating and availability of finance remaining stagnant. Cost of external finance is perceived to rise, though by a lower proportion of respondents as compared to a year ago.
- Profit margin continued to remain negative during the year and dropped further during Q4: 2012-13.
- Cost of raw material continued to rise whereas sentiments for rise in selling price declined indicating lack of pricing power.
- Business Expectation Index (BEI) based on assessment moderated during the year and in Q2:2012-13 reached a level seen at the onset of financial crisis in Q3:2008-09. The BEI based on expectations has been declining since Q3:2010-11 and remained more or less flat during the year.