

PRESS RELEASE**RESERVE BANK OF INDIA**www.rbi.org.inwww.rbi.org.in/hindie-mail: helpprd@rbi.org.in

PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001
 Phone: 2266 0502 Fax: 2266 0358, 2270 3279

June 30, 2005

Sources of Accretion to Foreign Exchange Reserves in India: 2004-05 (April-March)

Background

The Reserve Bank of India (RBI) had, on January 31, 2003, issued a Press Note on conclusions of a study conducted by its Department of Economic Analysis and Policy (DEAP) on *Sources of Accretion to Foreign Exchange Reserves* during April-November 2002. Subsequent to this, the RBI has been regularly updating and releasing information on 'Sources of Accretion to Foreign Exchange Reserves' through press releases which are available on the RBI website (www.rbi.org.in).

Balance of payments (BoP) data for the period April-March 2004-05 are now available. These data have been released on RBI website on June 30, 2005.

Sources of Accretion to Foreign Exchange Reserves in 2004-05 (April-March)

The following table shows the main components of accretion to foreign exchange reserves during April-March 2004-05:

Table 1: Sources of Accretion to Foreign Exchange Reserves

(US \$ billion)

Items		April-March 2004-05	April-March 2003-04
I.	Current Account Balance	-6.4	10.6
II.	Capital Account (net) (a to f)	32.6	20.9
	a. Foreign Investment	11.9	14.8
	b. Banking Capital	4.0	6.2
	<i>Of which: NRI Deposits</i>	-1.1	3.6
	c. Short term credit	3.8	1.4
	d. External Assistance	1.9	-2.7
	e. External Commercial Borrowings	5.9	-1.5
	f. Other items in capital account	5.1	2.7
III.	Valuation change	2.4	5.4
	Total (I+II+III)	28.6	36.9

Major sources of accretion to foreign exchange reserves during 2004-05 have been:

- Foreign investment (41.6 per cent);
- External commercial borrowings (20.6 per cent) and external assistance (6.6 per cent);
- Short-term credit (13.3 per cent);
- Banking Capital (14.0 per cent);
- Other items under capital account which mainly reflect the difference between customs data on imports/exports and banking channel data, rupee debt service and other transactions, accounted for 17.8 per cent;
- These accretions to the reserves were partly counterbalanced by a current account deficit of US \$ 6.4 billion and net outflows under NRI deposits at US \$ 1.1 billion.

Valuation gain, reflecting the appreciation of the GBP and the Euro against the US dollar, accounted for an increase of US \$ 2.4 billion in total reserves during 2004-05 as against a valuation gain of US \$ 5.4 billion in 2003-04. While the Reserve Bank denominates its forex reserves in terms of US dollar, these comprise a basket of major international currencies. Accordingly, when non-US dollar currencies appreciate *vis-à-vis* the US dollar, there is an addition to reserves by way of valuation gain. The reverse is the case when these currencies depreciate against the US dollar.

**P.V. Sadanandan
Manager**

Press Release: 2004-2005/1391