

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

September 30, 2005

**Sources of Accretion to Foreign Exchange Reserves in India:
 April-June 2005**

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-June 2005-06 are now available. These data would be released on RBI website (www.rbi.org.in) on September 30, 2005.

Sources of Accretion to Foreign Exchange Reserves April-June 2005

The following table shows the main components of accretion to foreign exchange reserves during April-June 2005:

Table 1: Sources of Accretion to Foreign Exchange Reserves

(US \$ billion)

Items		April-June 2005	April-June 2004
I.	Current Account Balance	-6.2	3.4
II.	Capital Account (net) (a to f)	7.4	4.2
	a. Foreign Investment	1.9	0.8
	b. Banking Capital	1.2	1.8
	<i>Of which: NRI Deposits</i>	<i>0.2</i>	<i>-0.8</i>
	c. Short term credit	-0.2	1.8
	d. External Assistance	0.2	0.0
	e. External Commercial Borrowings	0.9	1.1
	f. Other items in capital account	3.4	-1.3
III.	Valuation change	-4.3	-1.0
	Total (I+II+III)	-3.1	6.6

The accretion to the foreign exchange reserves was of the order of US \$ 1.2 billion on a BoP basis (excluding valuation effects) during April-June 2005. Valuation loss, reflecting the depreciation of major currencies against the US dollar, accounted for a decrease of US \$ 4.3 billion in total reserves during April-June 2005 as against a valuation loss of US \$ 1.0 billion in April-June 2004. Taking into account the valuation loss of US \$ 4.3 billion, foreign exchange reserves recorded a decline of US \$ 3.1 billion in April-June 2005 (an increase of US \$ 6.6 billion in April-June 2004).

P. V. Sadanandan
Manager

Press Release: 2005-2006/407