

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

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Sources of Accretion to Foreign Exchange Reserves in India: 2005-06

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 year 2005-06 are now available. These data have been released on RBI website (www.rbi.org.in) on June 30, 2006.

Sources of Accretion to Foreign Exchange Reserves 2005-06

The following table shows the main components of accretion to foreign exchange reserves during April-March 2005-06:

Table 1: Sources of Accretion to Foreign Exchange Reserves

(US \$ billion)

Items		April-March 2005-06	April-March 2004-05
I.	Current Account Balance	-10.6	-5.4
II.	Capital Account (net) (a to f)	25.7	31.6
	a. Foreign Investment	18.2	12.2
	b. Banking Capital	1.4	3.9
	<i>Of which: NRI Deposits</i>	2.8	-1.0
	c. Short term credit	1.7	3.8
	d. External Assistance	1.4	1.9
	e. External Commercial Borrowings	1.6	5.0
	f. Other items in capital account	1.4	4.8
III.	Valuation change	-5.0	2.4
	Total (I+II+III)	10.1	28.6

Major sources of accretion to foreign exchange reserves during the year 2005-06 have been foreign investment, short-term credit and External Commercial Borrowing

(ECB). The accretion to the foreign exchange reserves was of the order of US \$ 15.1 billion on a BoP basis (excluding valuation effects) during 2005-06. Valuation loss, reflecting the depreciation of major currencies against the US dollar, accounted for a decline of US \$ 5.0 billion in total reserves during 2005-06 as against a valuation gain of US \$ 2.4 billion during 2004-05. Taking into account the valuation loss of US \$ 5.0 billion, foreign exchange reserves recorded an increase of US \$ 10.1 billion during 2005-06 (an increase of US \$ 28.6 billion during 2004-05).

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