



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

RESERVE BANK OF INDIA

www.rbi.org.in
www.rbi.org.in/hindi
e-mail: helpprd@rbi.org.in

June 29, 2007

Sources of Accretion to Foreign Exchange Reserves in India: 2006-07

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 2006-07 are now available. These data have been released on RBI website (www.rbi.org.in) on June 29, 2007. On the basis of these data, sources of accretion to foreign exchange reserves have been compiled.

Sources of Accretion to Foreign Exchange Reserves 2006-07

The main components of accretion to foreign exchange reserves during fiscal 2006-07 are set out in the Table.

Table : Sources of Accretion to Foreign Exchange Reserves			
(US \$ billion)			
Items		April-March 2006-07	April-March 2005-06
I.	Current Account Balance	-9.6	-9.2
II.	Capital Account (net) (a to f)	46.2	24.3
	a. Foreign Investment	15.5	17.2
	b. Banking Capital	2.1	1.4
	<i>of which: NRI Deposits</i>	3.9	2.8
	c. Short-term credit	3.3	1.7
	d. External Assistance	1.7	1.7
	e. External Commercial Borrowings	16.1	2.7#
	f. Other items in capital account*	7.5*	-0.4
III.	Valuation change	10.9	-5.0
	Total (I+II+III)	47.5	10.1

Including the impact of IMD redemptions amounting to US \$ 5.5 billion.

*Includes 'Other Capital' (comprising leads and lags in export receipts (difference between the custom data and the banking channel data), funds held abroad, and the residual item of other capital transactions not included elsewhere such as flows arising from cross-border financial derivative and commodity hedging transactions, migrant transfers, and sale of intangible assets such as patents, copyrights, trade marks), quota payments to IMF, remittances towards recouping the losses of branches/subsidiaries.

Major sources of accretion to foreign exchange reserves during the year 2006-07 have been External Commercial Borrowings (ECBs), foreign investment and short-term credit. The accretion to the foreign exchange reserves was of the order of US \$ 36.6 billion on a BoP basis (excluding valuation effects) during 2006-07. Valuation gain, reflecting the appreciation of major currencies against the US dollar, accounted for an increase of US \$ 10.9 billion in total reserves during 2006-07 as against a valuation loss of US \$ 5.0 billion during 2005-06. Taking into account the valuation gain of US \$ 10.9 billion, foreign exchange reserves recorded an increase of US \$ 47.5 billion during 2006-07 (an increase of US \$ 10.1 billion during 2005-06).

G. Raghuraj
Deputy General Manager

Press Release : 2006-2007/1817