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RESERVE BANK OF INDIA

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Sources of Variation in Foreign Exchange Reserves in India during 2010-11

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q4 of 2010-11 (January-March 2011) on its website (www.rbi.org.in). On the basis of these data along with the revised data for earlier quarters, the sources of variation in foreign exchange reserves during April-March 2010-11 have been compiled.

Sources of Variation in Foreign Exchange Reserves: 2010-11

During 2010-11, there was an accretion to the foreign exchange reserves. The sources of variation in the foreign exchange reserves are set out in Table 1.

Table 1: Sources of Variation in Foreign Exchange Reserves

(US \$ billion)

Items		2009-10	2010-11
		April-March	April-March
I.	Current Account Balance	-38.4	-44.3
II.	Capital Account (net) (a to f)	51.8	57.3
a.	Foreign Investment (i+ii)	51.2	37.4
	(i) Foreign Direct Investment	18.8	7.1
	(ii) Portfolio Investment	32.4	30.3
	Of which:		
	FIIIs	29.0	29.4
	ADRs/GDRs	3.3	2.0
b.	External Commercial Borrowings	2.8	11.9
c.	Banking Capital	2.1	5.0
	of which: NRI Deposits	2.9	3.2
d.	Short-Term Trade Credit	7.6	11.0
e.	External Assistance	2.9	4.9
f.	Other Items in Capital Account*	-14.8	-12.8
III.	Valuation Change	13.6	12.7
	Total (I+II+III) @	27.1	25.8

Note:* (i) 'Other items in capital account' apart from 'Errors and Omissions' also include SDR allocations, leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI and transactions of capital receipts not included elsewhere.

(ii) Increase in reserves (+) / Decrease in reserves (-).

@: Difference, if any, is due to rounding off.

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 13.1 billion during 2010-11 as compared with an increase of US\$ 13.4 billion during 2009-10. The foreign exchange reserves (including the valuation effects) increased by US\$ 25.8 billion during 2010-11 as compared with an increase of US\$ 27.1 billion during 2009-10 (Table 2).

Table 2: Comparative Position			
(US\$ billion)			
Items		2009-10 April-March	2010-11 April-March
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	27.1	25.8
2.	Valuation Effects (Gain (+)/Loss (-))	13.6	12.7
3.	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	13.4	13.1
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	50.2	49.2
Note: Increase in reserves (+)/Decrease in reserves (-).			

The valuation gains, reflecting the depreciation of the US dollar against major currencies, accounted for US\$ 12.7 billion during 2010-11 as compared with valuation gains of US\$ 13.6 billion during 2009-10. Accordingly, valuation gains accounted for 49.2 per cent of the total increase in foreign exchange reserves during 2010-11.

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