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RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves in India
during 2013-14**

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for January-March 2014 on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2013-14 have been compiled.

Sources of Variation in Foreign Exchange Reserves: 2013-14

During 2013-14, there was an increase in the foreign exchange reserves. The sources of variation in the foreign exchange reserves are set out in Table 1.

Table 1: Sources of Variation to Foreign Exchange Reserves*

			(US\$ billion)	
Items			2012-13	2013-14
I.		Current Account Balance	-88.2	-32.4
II.		Capital Account (net) (a to f)	92.0	47.9
	a.	Foreign Investment	46.7	26.4
		<i>of which:</i> Foreign Direct Investment	19.8	21.6
		Portfolio Investment	26.9	4.8
		<i>FII</i>	27.6	5.0
		<i>ADR/GDR</i>	0.2	0.02
	b.	Banking Capital	16.6	25.4
		<i>Of which:</i> NRI Deposits	14.8	38.9
	c.	Short term credit	21.7	-5.0
	d.	External Assistance	1.0	1.0
	e.	External Commercial Borrowings	8.5	11.8
	f.	Other items in capital account	-2.5	-11.7
III.		Valuation change	-6.2	-3.3
		Total (I+II+III) @	-2.4	12.2
		Increase in reserves (+) / Decrease in reserves (-)		

*: Based on old format of BoP

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

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

On balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 15.5 billion during 2013-14 as compared to an increase of US\$ 3.8 billion during 2012-13. The foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 12.2 billion during 2013-14 as against a decline of US\$ 2.4 billion during the same period of preceding year (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2012-13	2013-14
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	-2.4	12.2
2	Valuation Effects (Gain (+)/Loss (-))	-6.2	-3.3
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	3.8	15.5
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

The valuation loss, reflecting the cross currency movements and the decline in gold prices, amounted to US\$ 3.3 billion during 2013-14 as compared to a valuation loss of US\$ 6.2 billion in the previous year.

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