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RESERVE BANK OF INDIA

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Sources of Variation in Foreign Exchange Reserves in India during April-June 2012

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q1 of 2012-13 (April-June 2012) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during April-June 2012 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-June 2012

During April-June 2012, there was a drawdown of 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		2011-12 April-June	2012-13 April-June
I.	Current Account Balance	-17.5	-16.6
II.	Capital Account (net) (a to f)	23.0	17.1
a.	Foreign Investment (i+ii)	11.8	2.3
	(i) Foreign Direct Investment	9.3	4.2
	(ii) Portfolio Investment	2.5	-1.9
	Of which:		
	FIIIs	2.5	-1.7
	ADRs/GDRs	0.3	0.1
b.	External Commercial Borrowings	3.1	1.0
c.	Banking Capital	12.7	9.4
	of which: NRI Deposits	1.2	6.6
d.	Short-Term Trade Credit	3.1	5.4
e.	External Assistance	0.3	-0.2
f.	Other Items in Capital Account	-8.0	-0.8
III.	Valuation Change	5.4	-5.2
	Total (I+II+III) @	10.9	-4.7

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 (-).

(iii) *: Based on old format of BoP

@: 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\$ 0.5 billion during April-June 2012 as against an increase of US\$ 5.5 billion during the same period previous year. The foreign exchange reserves (including the valuation effects) declined by US\$ 4.7 billion during April-June 2012 as against an increase of US\$ 10.9 billion during the same period a year ago (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2011-12 April-June	2012-13 April-June
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	10.9	-4.7
2.	Valuation Effects (Gain (+)/Loss (-))	5.4	-5.2
3.	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	5.5	0.5
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	49.5	110.6
Note: Increase in reserves (+)/Decrease in reserves (-). @: Difference, if any, is due to rounding off.			

The valuation losses, reflecting the appreciation of the US dollar against major currencies, accounted for US\$ 5.2 billion during April-June 2012 as against valuation gains of US\$ 5.4 billion during the same period last year.

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