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RESERVE BANK OF INDIA

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June 30, 2021

**Sources of Variation in Foreign Exchange Reserves in India
during 2020-21**

Earlier today, the Reserve Bank of India released the [balance of payments \(BoP\) data for January-March 2021](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2020-21 are detailed below.

Sources of Variation in Foreign Exchange Reserves: 2020-21

During 2020-21, there was an increase in the foreign exchange reserves, the sources of which are set out in [Table 1](#).

Table 1: Sources of Variation in Foreign Exchange Reserves*			
(US\$ Billion)			
Items		2020-21	2019-20
I.	Current Account Balance	23.9	-24.7
II.	Capital Account (net) (a to f)	63.4	84.2
	a. Foreign Investment (i+ii)	80.1	44.4
	(i) Foreign Direct Investment (FDI)	44.0	43.0
	(ii) Portfolio Investment	36.1	1.4
	<i>Of which:</i>		
	Foreign Institutional Investment (FII)	38.7	0.6
	ADR/GDR	0.0	0.0
	b. Banking Capital	-21.1	-5.3
	<i>Of which: NRI Deposits</i>	7.4	8.6
	c. Short term credit	-4.1	-1.0
	d. External Assistance	11.2	3.8
	e. External Commercial Borrowings	-0.1	23.0
	f. Other items in capital account	-2.6	19.4
III.	Valuation change	11.9	5.4
	Total (I+II+III) @	99.2	64.9
	Increase in reserves (+) / Decrease in reserves (-)		
<p>*: Based on the old format of BoP which may differ from the new format (BPM6) in the treatment of transfers under the current account and ADRs/ GDRs under portfolio investment. @: Difference, if any, is due to rounding off. Note: 'Other items in capital account' apart from 'Errors and Omissions' includes SDR allocation, leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI and capital receipts not included elsewhere and rupee denominated debt.</p>			

On a balance of payments basis (*i.e.*, excluding valuation effects), foreign exchange reserves increased by US\$ 87.3 billion during 2020-21 as against an increase of US\$ 59.5 billion during 2019-20. Foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 99.2 billion during 2020-21 compared with US\$ 64.9 billion in the preceding year ([Table 2](#)).

Table 2: Comparative Position of Variation in Reserves			
(US\$ Billion)			
Items		2020-21	2019-20
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	99.2	64.9
2	Valuation Effects (Gain (+)/Loss (-))	11.9	5.4
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	87.3	59.5
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

The valuation gain, reflecting depreciation of US dollar against major currencies and increase in gold prices, amounted to US\$ 11.9 billion during 2020-21 compared with US\$ 5.4 billion during 2019-20.

Press Release: 2021-2022/456

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