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RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
ई-मेल/email : helpdoc@rbi.org.in



संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

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Sources of Variation in Foreign Exchange Reserves in India during 2022-23

Earlier today, the Reserve Bank of India released [balance of payments \(BoP\) data for January-March 2023](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2022-23 are detailed below:

Sources of Variation in Foreign Exchange Reserves: 2022-23

During 2022-23, there was a decline 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			2022-23	2021-22
I.		Current Account Balance	-67.1	-38.8
II.		Capital Account (net) (a to f)	57.9	86.3
	a.	Foreign Investment (i+ii)	22.8	21.8
		(i) Foreign Direct Investment (FDI)	28.0	38.6
		(ii) Portfolio Investment	-5.2	-16.8
		<i>of which:</i>		
		Foreign Institutional Investment (FII)	-4.8	-14.1
		ADR/GDR	0.0	0.0
	b.	Banking Capital	21.0	6.7
		<i>of which:</i> NRI Deposits	9.0	3.2
	c.	Short term credit	6.5	20.1
	d.	External Assistance	5.5	5.4
	e.	External Commercial Borrowings	-3.8	8.1
	f.	Other items in capital account	5.8	24.2
III.		Valuation change	-19.7	-17.2
		Total (I+II+III) @	-28.9	30.3
		Increase in reserves (+) / Decrease in reserves (-)		
*: 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.				

On a BoP basis (*i.e.*, excluding valuation effects) foreign exchange reserves decreased by US\$ 9.1 billion during 2022-23 as against an accretion of US\$ 47.5 billion during 2021-22. Foreign exchange reserves in nominal terms (including valuation effects) decreased by US\$ 28.9 billion during 2022-23 as against an increase of US\$ 30.3 billion in the corresponding period of the preceding year ([Table 2](#)).

Table 2: Comparative Position of Variation in Reserves			
(US\$ Billion)			
	Items	2022-23	2021-22
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	-28.9	30.3
2	Valuation Effects [Gain (+)/Loss (-)]	-19.7	-17.2
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	-9.1	47.5
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

The valuation loss, primarily reflecting the appreciation of the US dollar against major currencies, amounted to US\$ 19.7 billion during 2022-23 as compared with a valuation loss of US\$ 17.2 billion during 2021-22.

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(Yogesh Dayal)
Chief General Manager