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RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves in India
during April-June 2016**

Earlier today, the Reserve Bank of India released [balance of payments \(BoP\) data for April-June 2016](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during April-June, 2016 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-June 2016

The sources of variation underlying the increase in the foreign exchange reserves during April-June 2016 are set out in Table 1.

Table 1: Sources of Variation in Foreign Exchange Reserves*				
(US\$ billion)				
Items		2015-16 April-June	2016-17 April-June	
I.	Current Account Balance	-6.1	-0.3	
II.	Capital Account (net) (a to f)	17.6	7.3	
	a. Foreign Investment (i+ii)	10.2	6.2	
	(i) Foreign Direct Investment	10.0	4.1	
	(ii) Portfolio Investment	0.2	2.1	
	<i>Of which:</i>			
	<i>FII</i>	-0.2	1.2	
	<i>ADR/GDR</i>	0.3	0.0	
	b. Banking Capital	11.0	-0.1	
	<i>Of which: NRI Deposits</i>	5.9	1.4	
	c. Short term credit	-2.4	-0.3	
	d. External Assistance	0.3	0.7	
	e. External Commercial Borrowings	0.4	-2.1	
	f. Other items in capital account	-2.0	3.0	
III.	Valuation change	2.9	-3.6	
	Total (I+II+III) @ Increase in reserves (+) / Decrease in reserves (-)	14.4	3.3	
<p>*: Based on 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.</p> <p>@: Difference, if any, is due to rounding off.</p> <p>Note: 'Other items in capital account' apart from 'Errors and Omissions' 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.</p>				

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 7.0 billion during April-June 2016 as compared with an accretion of US\$ 11.4 billion during April-June 2015. The foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 3.3 billion during April-June 2016 as compared with an increase of US\$ 14.4 billion during the same period last year (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2015-16	2016-17
		April-June	April-June
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	14.4	3.3
2	Valuation Effects (Gain (+)/Loss (-))	2.9	-3.6
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	11.4	7.0
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

Valuation loss, mainly reflecting the appreciation of the US dollar against major currencies, amounted to US\$ 3.6 billion during April-June 2016 as against a gain of US\$ 2.9 billion during the same period of the preceding year.

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