

PRESS RELEASE**RESERVE BANK OF INDIA**www.rbi.org.inwww.rbi.org.in/hindie-mail: helpprd@rbi.org.in

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Sources of Accretion to Foreign Exchange Reserves in India: April-September 2005

Background

The Reserve Bank of India (RBI) had, on January 31, 2003, issued a Press Note on conclusions of a study conducted by its Department of Economic Analysis and Policy (DEAP) on *Sources of Accretion to Foreign Exchange Reserves* during April-November 2002. Subsequent to this, the RBI has been regularly updating and releasing information on 'Sources of Accretion to Foreign Exchange Reserves' through press releases which are available on the RBI website (www.rbi.org.in).

Balance of payments (BoP) data for the period April-September 2005-06 are now available. These data have been released on RBI website (www.rbi.org.in) on December 30, 2005.

Sources of Accretion to Foreign Exchange Reserves April-September 2005

The following table shows the main components of accretion to foreign exchange reserves during April-September 2005:

Table 1: Sources of Accretion to Foreign Exchange Reserves

(US \$ billion)

Items		April-September 2005	April-September 2004
I.	Current Account Balance	-13.0	-0.5
II.	Capital Account (net) (a to f)	19.5	7.4
	a. Foreign Investment	7.4	2.5
	b. Banking Capital	3.0	0.6
	<i>Of which: NRI Deposits</i>	<i>0.2</i>	<i>-1.3</i>
	c. Short term credit	0.9	1.9
	d. External Assistance	0.4	0.3
	e. External Commercial Borrowings	2.7	1.5
	f. Other items in capital account	5.1	0.6
III.	Valuation change	-5.0	-0.3
	Total (I+II+III)	1.5	6.6

Major sources of accretion to foreign exchange reserves during April-September 2005 have been foreign investment, banking capital, external commercial borrowings and other capital. The accretion to the foreign exchange reserves was of the order of US \$ 6.5 billion on a BoP basis (excluding valuation effects) during April-September 2005. Valuation loss, reflecting the depreciation of major currencies against the US dollar, accounted for a decline of US \$ 5.0 billion in total reserves during April-September 2005 as against a valuation loss of US \$ 0.3 billion in April-September 2004. Taking into account the valuation loss of US \$ 5.0 billion, foreign exchange reserves recorded an increase of US \$ 1.5 billion during April-September 2005 (an increase of US \$ 6.6 billion during April-September 2004).

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