

PRESS RELEASE**RESERVE BANK OF INDIA**

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Sources of Accretion to Foreign Exchange Reserves in India:
April-December 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-December 2005-06 are now available. These data have been released on RBI website (www.rbi.org.in) on March 31, 2006.

Sources of Accretion to Foreign Exchange Reserves April-December 2005

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

Table 1: Sources of Accretion to Foreign Exchange Reserves

(US \$ billion)

Items		April-December 2005	April-December 2004
I.	Current Account Balance	-13.5	-5.9
II.	Capital Account (net) (a to f)	15.3	19.4
	a. Foreign Investment	12.9	7.8
	b. Banking Capital	1.4	1.6
	<i>Of which: NRI Deposits</i>	<i>1.1</i>	<i>-1.3</i>
	c. Short term credit	1.7	3.0
	d. External Assistance	0.9	0.7
	e. External Commercial Borrowings	-1.5	2.9
	f. Other items in capital account	-0.1	3.4
III.	Valuation change	-6.1	4.7
	Total (I+II+III)	-4.3	18.2

Major sources of accretion to foreign exchange reserves during April-December 2005 have been foreign investment, banking capital and short-term credit. On account of redemption of India Millennium Deposits (IMDs), the net external commercial borrowings are negative during this period. The accretion to the foreign exchange reserves was of the order of US \$ 1.8 billion on a BoP basis (excluding valuation effects) during April-December 2005. Valuation loss, reflecting the depreciation of major currencies against the US dollar, accounted for a decline of US \$ 6.1 billion in total reserves during April-December 2005 as against a valuation gain of US \$ 4.7 billion in April-December 2004. Taking into account the

valuation loss of US \$ 6.1 billion, foreign exchange reserves recorded a decrease of US \$ 4.3 billion during April-December 2005 (an increase of US \$ 18.2 billion during April-December 2004).

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