

**RESERVE BANK OF INDIA**

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## Sources of Accretion to Foreign Exchange Reserves in India: April-June 2006

### 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](http://www.rbi.org.in)).

Balance of payments (BoP) data for the quarter April-June 2006 are now available. These data have been released on RBI website ([www.rbi.org.in](http://www.rbi.org.in)) on September 29, 2006.

### Sources of Accretion to Foreign Exchange Reserves April-June 2006

The following table shows the main components of accretion to foreign exchange reserves during April-June 2006:

**Table 1: Sources of Accretion to Foreign Exchange Reserves**

(US \$ billion)

Items		April-June 2006	April-June 2005
<b>I.</b>	<b>Current Account Balance</b>	<b>-6.1</b>	<b>-3.6</b>
<b>II.</b>	<b>Capital Account (net) (a to f)</b>	<b>12.5</b>	<b>4.8</b>
	a. Foreign Investment	1.2	2.2
	b. Banking Capital	5.1	0.8
	<i>Of which: NRI Deposits</i>	1.2	-0.1
	c. Short term credit	0.4	-0.2
	d. External Assistance	--	0.2
	e. External Commercial Borrowings	3.6	1.1
	f. Other items in capital account	2.2	0.7
<b>III.</b>	<b>Valuation change</b>	<b>4.9</b>	<b>-4.3</b>
	<b>Total (I+II+III)</b>	<b>11.3</b>	<b>-3.1</b>

-- : Negligible

Major sources of accretion to foreign exchange reserves during the first quarter 2006-07 have been External Commercial Borrowing (ECB), banking capital and foreign investment. The accretion to the foreign exchange reserves was of the order of US \$ 6.4 billion on a BoP basis (excluding valuation effects) during April-June 2006. Valuation gain, reflecting the appreciation of major currencies against the US dollar, accounted for a rise of US \$ 4.9 billion in total reserves during the first quarter 2006-07 as against a valuation loss of US \$ 4.3 billion during corresponding period previous year. Taking into account the valuation gain of US \$ 4.9 billion, foreign exchange reserves recorded an increase of US \$ 11.3 billion during April-June 2006-07 (a decrease of US \$ 3.1 billion during April-June 2005-06).

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