


	प्रेस प्रकाशनी PRESS RELEASE
<p>संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001</p> <p>DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001</p> <p>फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279</p>	 <p>भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA</p> <p>वेबसाइट : www.rbi.org.in/hindi Website : www.rbi.org.in ई-मेल email: helpdoc@rbi.org.in</p>

December 31, 2008

Sources of Variation in Foreign Exchange Reserves in India: April-September 2008

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 April-September 2008 are now available. These data have been released on RBI website (www.rbi.org.in) on December 31, 2008. On the basis of these data, sources of variation in foreign exchange reserves have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-September 2008

During April-September 2008, there was a decline in foreign exchange reserves. The main components of reserve change during April-September 2008 are set out in the Table.

Table: Sources of Variation in Foreign Exchange Reserves

(US \$ million)

Items		April-September 2008	April-September 2007
I.	Current Account Balance	-22,332	-10,977
II.	Capital Account (net) (a to f)	19,833	51,413
	a. Foreign Investment (i+ii)	9,036	23,305
	(i) Foreign Direct Investment	14,557	4,864
	(ii) Portfolio Investment	-5,521	18,441
	b. Banking Capital	4,827	5,724
	of which: NRI Deposits	1,073	-78
	c. Short-Term Credit	3,173	6,589
	d. External Assistance	869	709
	e. External Commercial Borrowings	3,341	11,163
	f. Other items in capital account	-1,413	3,923
III.	Valuation Change	-20,888	8,147
	Total (I+II+III)	-23,387	48,583

*: Items under 'Other Capital' apart from Errors and Omissions' also include leads and lags in export, funds held abroad, advances received pending issue of shares under FDI and transactions of capital receipts not included elsewhere.

The foreign exchange reserves have declined by an amount of US \$ 23,387 million during April-September 2008 including the valuation effects as compared with an increase of US \$ 48,583 million during April-September 2007. On a BoP basis (excluding valuation effects), the decline in the foreign exchange reserves was US \$ 2,499 million during April-September 2008. Valuation loss, reflecting the depreciation of major currencies against the US dollar, accounted for US \$ 20,888 million in total reserves during April-September 2008 as against a valuation gain of US \$ 8,147 million during the corresponding period of previous year. The valuation loss explained 89.3 per cent of decline in reserves during April-September 2008. Apart from current account deficits, outflows under FIIs were the other major sources contributing to decline in foreign exchange reserves during April-September 2008.

Alpana Killawala
Chief General Manager

Press Release : 2008-2009/996