



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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**Sources of Variation in Foreign Exchange Reserves in India
during April-September 2011**

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q2 of 2011-12 (July-September 2011) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during April-September 2011 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-September 2011

During April-September 2011, there was an accretion to the foreign exchange reserves. The sources of variation in the foreign exchange reserves are set out in Table 1.

Table 1: Sources of Variation in Foreign Exchange Reserves*

(US \$ billion)

Items		2010-11 April-September	2011-12 April-September
I.	Current Account Balance	-29.6	-32.8
II.	Capital Account (net) (a to f)	36.6	38.6
	a. Foreign Investment (i+ii)	30.8	13.7
	(i) Foreign Direct Investment	7.0	12.3
	(ii) Portfolio Investment	23.8	1.3
	Of which:		
	FII's	22.3	0.9
	ADRs/GDRs	1.6	0.5
	b. External Commercial Borrowings	5.7	10.6
	c. Banking Capital	0.8	19.3
	of which: NRI Deposits	2.2	3.9
	d. Short-Term Trade Credit	6.9	5.9
	e. External Assistance	3.0	0.7
	f. Other Items in Capital Account	-10.7	-11.6
III.	Valuation Change	6.8	0.9
	Total (I+II+III) @	13.8	6.7

*: Based on old format of BoP

@: Difference, if any, is due to rounding off.

Note: (i) '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.

(ii) Increase in reserves (+) / Decrease in reserves (-).

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 5.7 billion during April-September 2011 as compared with an increase of US\$ 7.0 billion during the same period previous year. The foreign exchange reserves (including the valuation effects) increased by US\$ 6.7 billion during April-September 2011 as against an increase of US\$ 13.8 billion during the same period a year ago (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2010-11 April- September	2011-12 April- September
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	13.8	6.7
2.	Valuation Effects (Gain (+)/Loss (-))	6.8	0.9
3.	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	7.0	5.7
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	49.3	13.4
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

The valuation gains, reflecting the depreciation of the US dollar against major currencies, amounted to US\$ 0.9 billion during April-September 2011 as compared with valuation gain of US\$ 6.8 billion during the same period last year. Accordingly, valuation gains accounted for 13.4 per cent of the total increase in foreign exchange reserves during April-September of 2011-12.

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Ajit Prasad
Assistant General Manager