



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q3 of 2011-12 (October-December 2011) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during April-December 2011 have been compiled.

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

During April-December 2011, there was a decline 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-December	2011-12 April- December
I.	Current Account Balance	-39.6	-53.6
II.	Capital Account (net) (a to f)	50.6	46.5
	a. Foreign Investment (i+ii)	38.3	19.5
	(i) Foreign Direct Investment	8.2	16.2
	(ii) Portfolio Investment	30.1	3.2
	Of which:		
	FIIIs	29.5	2.7
	ADRs/GDRs	1.8	0.6
	b. External Commercial Borrowings	9.6	9.9
	c. Banking Capital	5.7	13.9
	of which: NRI Deposits	2.3	7.3
	d. Short-Term Trade Credit	8.3	5.8
	e. External Assistance	4.2	2.1
	f. Other Items in Capital Account	-15.5	-4.7
III.	Valuation Change	7.3	-1.0
	Total (I+II+III) @	18.3	-8.1

Note: (i) 'Other items in capital account' apart from 'Errors and Omissions' also 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 (-).

(iii) *: Based on old format of BoP

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

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves declined by US\$ 7.1 billion during April-December 2011 as against an increase of US\$ 11.0 billion during the same period previous year. The foreign exchange reserves (including the valuation effects) declined by US\$ 8.1 billion during April-December 2011 as against an increase of US\$ 18.3 billion during the same period a year ago (Table 2).

Items		2010-11 April- December	2011-12 April- December
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	18.3	-8.1
2.	Valuation Effects (Gain (+)/Loss (-))	7.3	-1.0
3.	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	11.0	-7.1
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	39.9	12.3
Note: Increase in reserves (+)/Decrease in reserves (-). @: Difference, if any, is due to rounding off.			

The valuation loss, reflecting the appreciation of the US dollar against major currencies, accounted for US\$ 1.0 billion during April-December 2011 as compared with valuation gain of US\$ 7.3 billion during the same period in the previous year. Accordingly, valuation loss accounted for 12.3 per cent of the total decline in foreign exchange reserves during April-December of 2011-12.

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