



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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### Sources of Variation in Foreign Exchange Reserves in India during 2009-10

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for the fourth quarter (January-March) of 2009-10 and for the full year (April-March) 2009-10 on its website ([www.rbi.org.in](http://www.rbi.org.in)). On the basis of these data, sources of variation in foreign exchange reserves during 2009-10 have been compiled.

#### Sources of Variation in Foreign Exchange Reserves: 2009-10

During 2009-10, there was an accretion to the foreign exchange reserves. Inflows under foreign investments and short term trade credits contributed significantly to the increase in foreign exchange reserves besides valuation gains. The sources of variation in the foreign exchange reserves are set out in Table 1.

<b>Table 1: Sources of Variation in Foreign Exchange Reserves</b>			
(US \$ billion)			
Items		2008-09	2009-10
<b>I.</b>	<b>Current Account Balance</b>	<b>-28.7</b>	<b>-38.4</b>
<b>II.</b>	<b>Capital Account (net) (a to f)</b>	<b>8.6</b>	<b>51.9</b>
a.	Foreign Investment (i+ii)	3.5	52.1
	<i>(i) Foreign Direct Investment</i>	17.5	19.7
	<i>(ii) Portfolio Investment</i>	-14.0	32.4
	<i>Of which:</i>		
	<i>FII's</i>	-15.0	29.0
	<i>ADRs/GDRs</i>	1.2	3.3
b.	External Commercial Borrowings	7.9	2.5
c.	Banking Capital	-3.2	2.1
	<i>of which: NRI Deposits</i>	4.3	2.9
d.	Short-Term Trade Credit	-1.9	7.7
e.	External Assistance	2.6	2.0
f.	Other Items in Capital Account*	-0.2	-14.6
<b>III.</b>	<b>Valuation Change</b>	<b>-37.7</b>	<b>13.6</b>
	<b>Total (I+II+III)</b>	<b>-57.7</b>	<b>27.1</b>

**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 (-).

The foreign exchange reserves (including the valuation effects) increased by US\$ 27.1 billion during 2009-10 as against a decline of US\$ 57.7 billion during 2008-09 (Table 2).

<b>Table 2: Comparative Position</b>			
(US\$ billion)			
Items		2008-09	2009-10
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	(-) 57.7	27.1
2.	Valuation Effects (Gain (+)/Loss (-))	(-) 37.7	13.6
3.	Change in Foreign Exchange Reserves on BoP basis (i.e., Excluding Valuation Effects)	(-) 20.1	13.4
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	65.2	50.4

**Note:** Increase in reserves (+)/Decrease in reserves (-).

On a balance of payments basis (i.e., excluding valuation effects), the foreign exchange reserves increased by US\$ 13.4 billion during 2009-10 as against a decline of US\$

20.1 billion during 2008-09. The valuation gains, reflecting the depreciation of the US dollar against major currencies, accounted for US\$ 13.6 billion during 2009-10 as against a valuation loss of US\$ 37.7 billion during 2008-09. Accordingly, valuation gains during 2009-10 accounted for 50.4 per cent of the total increase in foreign exchange reserves.

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