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RESERVE BANK OF INDIA

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Sources of Variation in Foreign Exchange Reserves in India during 2014-15

Earlier today, the Reserve Bank of India released the [Balance of Payments \(BoP\) data for January-March 2015](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2014-15 have been compiled.

Sources of Variation in Foreign Exchange Reserves: 2014-15

During 2014-15, there was an increase in the foreign exchange reserves. The sources of variation in the foreign exchange reserves are set out in Table 1.

Table 1: Sources of Variation to Foreign Exchange Reserves*				
(US\$ billion)				
Items		2013-14	2014-15	
I.	Current Account Balance	-32.4	-27.9	
II.	Capital Account (net) (a to f)	47.9	89.3	
	a. Foreign Investment	26.4	73.6	
	<i>of which:</i> Foreign Direct Investment	21.6	32.6	
	Portfolio Investment	4.8	40.9	
	<i>FII</i>	5.0	40.9	
	<i>ADR/GDR</i>	0.02	0.0	
	b. Banking Capital	25.4	11.6	
	<i>Of which:</i> NRI Deposits	38.9	14.1	
	c. Short term credit	-5.0	-0.9	
	d. External Assistance	1.0	1.6	
	e. External Commercial Borrowings	11.8	2.7	
	f. Other items in capital account	-11.7	0.7	
III.	Valuation change	-3.3	-24.0	
	Total (I+II+III) @	12.2	37.4	
	Increase in reserves (+) / Decrease in reserves (-)			

*: Based on old format of BoP
@: Difference, if any, is due to rounding off.
Note: 'Other items in capital account' includes apart from 'Errors and Omissions' SDR transactions, leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI and transactions of capital receipts not included elsewhere.

On balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 61.4 billion during 2014-15 as compared to an increase of US\$ 15.5 billion during 2013-14. The foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 37.4 billion during 2014-15 as compared to US\$ 12.2 billion in the preceding year (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2013-14	2014-15
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	12.2	37.4
2	Valuation Effects (Gain (+)/Loss (-))	-3.3	-24.0
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	15.5	61.4
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

The valuation loss, reflecting the cross currency movements and the decline in gold prices, amounted to US\$ 24.0 billion during 2014-15 as compared to a valuation loss of US\$ 3.3 billion in the previous year.

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