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

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q1 of 2011-12 (April-June 2011) on its website ([www.rbi.org.in](http://www.rbi.org.in)). On the basis of these data, the sources of variation in foreign exchange reserves during April-June 2011 have been compiled.

### Sources of Variation in Foreign Exchange Reserves: April-June 2011

During April-June 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	2011-12	
		April-June	April-June	
I.	Current Account Balance	-12.1	-14.2	
II.	Capital Account (net) (a to f)	15.8	19.7	
	a. Foreign Investment (i+ii)	7.5	9.7	
	(i) Foreign Direct Investment	2.9	7.2	
	(ii) Portfolio Investment	4.6	2.5	
	Of which:			
	FII's	3.5	2.5	
	ADRs/GDRs	1.1	0.3	
	b. External Commercial Borrowings	2.2	2.9	
	c. Banking Capital	4.0	12.7	
	of which: NRI Deposits	1.1	1.2	
	d. Short-Term Trade Credit	4.3	3.1	
	e. External Assistance	2.4	0.4	
	f. Other Items in Capital Account	-4.6	-9.1	
III.	Valuation Change	-7.0	5.4	
	<b>Total (I+II+III) @</b>	<b>-3.3</b>	<b>10.9</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 (-).  
(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 increased by US\$ 5.4 billion during April-June 2011 as compared with an increase of US\$ 3.7 billion during the same period previous year. The foreign exchange reserves (including the valuation effects) increased by US\$ 10.9 billion during April-June 2011 as against a decline of US\$ 3.3 billion during the same period a year ago (Table 2).

<b>Table 2: Comparative Position of Variation in Reserves</b>			
(US\$ billion)			
<b>Items</b>		<b>2010-11 April-June</b>	<b>2011-12 April-June</b>
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	-3.3	10.9
2.	Valuation Effects (Gain (+)/Loss (-))	-7.0	5.4
3.	Change in Foreign Exchange Reserves on BoP basis ( <i>i.e.</i> , Excluding Valuation Effects)	3.7	5.4
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	211.8	50.1
<b>Note:</b> 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, accounted for US\$ 5.4 billion during April-June 2011 as compared with valuation loss of US\$ 7.0 billion during the same period last year. Accordingly, valuation gains accounted for 50.1 per cent of the total increase in foreign exchange reserves during first quarter of 2011-12.

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