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RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves in India
during 2015-16**

Earlier today, the Reserve Bank of India released the [Balance of Payments \(BoP\) data for January-March 2016](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2015-16 have been compiled.

Sources of Variation in Foreign Exchange Reserves: 2015-16

During 2015-16, 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			2014-15	2015-16
I.		Current Account Balance	-26.9	-22.2
II.		Capital Account (net) (a to f)	88.3	40.1
	a.	Foreign Investment (i+ii)	73.5	31.9
		(i) Foreign Direct Investment	31.3	36.0
		(ii) Portfolio Investment	42.2	-4.1
		<i>Of which:</i>		
		<i>FII</i>	40.9	-4.0
		<i>ADR/GDR</i>	1.3	0.4
	b.	Banking Capital	11.6	10.6
		<i>Of which: NRI Deposits</i>	14.1	16.1
	c.	Short term credit	-0.1	-1.6
	d.	External Assistance	1.7	1.5
	e.	External Commercial Borrowings	1.6	-4.5
	f.	Other items in capital account	0.0	2.2
III.		Valuation change	-24.0	0.6
		Total (I+II+III) @	37.4	18.5
		Increase in reserves (+) / Decrease in reserves (-)		
<p>*: Based on old format of BoP which may differ from the new format (BPM6) in the treatment of transfers under the current account and ADRs/ GDRs under portfolio investment.</p> <p>@: Difference, if any, is due to rounding off.</p> <p>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.</p>				

On balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 17.9 billion during 2015-16 as compared to an increase of US\$ 61.4 billion during 2014-15. The foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 18.5 billion during 2015-16 as compared to US\$ 37.4 billion in the preceding year (Table 2).

Table 2: Comparative Position of Variation in Reserves		
(US\$ billion)		
Items	2014-15	2015-16
1 Change in Foreign Exchange Reserves (Including Valuation Effects)	37.4	18.5
2 Valuation Effects (Gain (+)/Loss (-))	-24.0	0.6
3 Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	61.4	17.9
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.		

The valuation gain amounted to US\$ 0.6 billion during 2015-16 as compared to a valuation loss of US\$ 24.0 billion in the previous year.

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