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RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves
in India during 2019-20**

Earlier today, the Reserve Bank of India released the [balance of payments \(BoP\) data for January-March 2020](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2019-20 are detailed below.

Sources of Variation in Foreign Exchange Reserves: 2019-20

During 2019-20, there was an increase in the foreign exchange reserves, the sources of which are set out in Table 1.

Table 1: Sources of Variation in Foreign Exchange Reserves*			
(US\$ Billion)			
Items		2019-20	2018-19
I.	Current Account Balance	-24.7	-57.3
II.	Capital Account (net) (a to f)	84.2	53.9
	a. Foreign Investment (i+ii)	44.4	30.1
	(i) Foreign Direct Investment (FDI)	43.0	30.7
	(ii) Portfolio Investment	1.4	-0.6
	<i>Of which:</i>		
	Foreign Institutional Investment (FII)	0.6	-2.2
	ADR/GDR	0.0	1.8
	b. Banking Capital	-5.3	7.4
	<i>Of which: NRI Deposits</i>	8.6	10.4
	c. Short term credit	-1.0	2.0
	d. External Assistance	3.8	3.4
	e. External Commercial Borrowings	23.0	10.4
	f. Other items in capital account	19.4	0.5
III.	Valuation change	5.4	-8.3
	Total (I+II+III) @	64.9	-11.7
	Increase in reserves (+) / Decrease in reserves (-)		

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

On a balance of payments basis (*i.e.*, excluding valuation effects), foreign exchange reserves increased by US\$ 59.5 billion during 2019-20 as against a decrease of US\$ 3.3 billion during 2018-19. Foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 64.9 billion during 2019-20 as against a decline of US\$ 11.7 billion in the preceding year (Table 2).

Table 2: Comparative Position of Variation in Reserves			
		(US\$ Billion)	
Items		2019-20	2018-19
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	64.9	-11.7
2	Valuation Effects (Gain (+)/Loss (-))	5.4	-8.3
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	59.5	-3.3
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

The valuation gain, reflecting increase in gold prices, amounted to US\$ 5.4 billion during 2019-20 as against a loss of US\$ 8.3 billion during 2018-19.

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