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RESERVE BANK OF INDIA

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Sources of Variation in Foreign Exchange Reserves in India during 2018-19

Earlier today, the Reserve Bank of India released the [balance of payments \(BoP\) data for January-March 2018](#) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during 2018-19 have been compiled.

Sources of Variation in Foreign Exchange Reserves: 2018-19

During 2018-19, there was a decrease 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 in Foreign Exchange Reserves* | | | |
|--|---|--------------|--------------|
| (US\$ Billion) | | | |
| Items | | 2018-19 | 2017-18 |
| I. | Current Account Balance | -57.3 | -48.7 |
| II. | Capital Account (net) (a to f) | 53.9 | 92.3 |
| | a. Foreign Investment (i+ii) | 30.1 | 52.4 |
| | (i) Foreign Direct Investment (FDI) | 30.7 | 30.3 |
| | (ii) Portfolio Investment | -0.6 | 22.1 |
| | <i>Of which:</i> | | |
| | Foreign Institutional Investment (FII) | -2.2 | 22.2 |
| | ADR/GDR | 1.8 | 0.0 |
| | b. Banking Capital | 7.4 | 16.2 |
| | <i>Of which: NRI Deposits</i> | 10.4 | 9.7 |
| | c. Short term credit | 2.0 | 13.9 |
| | d. External Assistance | 3.4 | 2.9 |
| | e. External Commercial Borrowings | 10.4 | -0.2 |
| | f. Other items in capital account | 0.5 | 7.0 |
| III. | Valuation change | -8.3 | 11.0 |
| | Total (I+II+III) @ | -11.7 | 54.6 |
| | 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), the foreign exchange reserves decreased by US\$ 3.3 billion during 2018-19 as against an increase of US\$ 43.6 billion during 2017-18. The foreign exchange reserves in nominal terms (*i.e.*, including valuation effects) decreased by US\$ 11.7 billion during 2018-19 as against an increase of US\$ 54.6 billion during the same period of the preceding year (Table 2).

| Table 2: Comparative Position of Variation in Reserves | | | |
|--|--|----------------|----------------|
| (US\$ Billion) | | | |
| Items | | 2018-19 | 2017-18 |
| 1 | Change in Foreign Exchange Reserves (Including Valuation Effects) | -11.7 | 54.6 |
| 2 | Valuation Effects (Gain (+)/Loss (-)) | -8.3 | 11.0 |
| 3 | Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects) | -3.3 | 43.6 |
| Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off. | | | |

The valuation loss, mainly reflecting the appreciation of the US dollar against major currencies, amounted to US\$ 8.3 billion during 2018-19 as against a gain of US\$ 11.0 billion during the same period of the preceding year.

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