


भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001
 फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279
वेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल email: helpdoc@rbi.org.in

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**Sources of Variation in Foreign Exchange
Reserves in India: April-December 2008**

Earlier today, the Reserve Bank of India released the Balance of payments (BoP) data for April-December 2008 on its website (www.rbi.org.in). On the basis of these data, sources of variation in foreign exchange reserves during April-December 2008 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-December 2008

During April-December 2008, there was a decline in foreign exchange reserves. The variation in the main components of foreign exchange reserves during April-December 2008 are set out in Table 1.

Table 1: Sources of Variation in Foreign Exchange Reserves

(US \$ million)

Items			April-December 2007	April-December 2008
I.		Current Account Balance	-15,508	-36,469
II.		Capital Account (net) (a to f)	82,682	16,089
	a.	Foreign Investment (i+ii)	40,197	4,032
		(i) Foreign Direct Investment	6,905	15,373
		(ii) Portfolio Investment	33,292	-11,341
	b.	External Commercial Borrowings	17,410	7,114
	c.	Banking Capital	5,931	-129
		of which: NRI Deposits	-931	2,115
	d.	Short-Term Credit	10,719	547
	e.	External Assistance	1,274	1,861
	f.	Other items in capital account*	7,151	2,664
III.		Valuation Change	8,963	-33,375
		Total (I+II+III)	76,137	-53,755

Note: (i) *: 'Other items in capital account' apart from 'Errors and Omissions' also include 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 (-)

Table 2: Comparative Position			
		(US\$ million)	
		April-December 2007	April-December 2008
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	76,137	(-) 53,755
2.	Valuation Effects [Gain (+)/Loss (-)]	8,963	(-) 33,375
3.	Change in Foreign Exchange Reserves on BoP basis (Excluding Valuation Effects)	67,174	(-) 20,380
4.	Percentage of increase/decline in Reserves Explained by Valuation Gain/Loss	11.8	62.1

Note: Increase in reserves (+)/Decrease in reserves (-)

The foreign exchange reserves (including the valuation effects) declined by US\$ 53,755 million during April-December 2008 as against an increase of US\$ 76,137 million during April-December 2007 (Table 2). On a BoP basis (*i.e.*, excluding valuation effects), the foreign exchange reserves declined by US\$ 20,380 million during April-December 2008 as against an increase of US\$ 67,174 million during April-December 2007. Valuation loss, reflecting the depreciation of major currencies against the US dollar accounted for US\$ 33,375 million or 62.1 per cent of the total decline in foreign exchange reserves of US\$ 53,755 million during April-December 2008 as against a valuation gain of US\$ 8,963 million during the corresponding period of previous year. Apart from current account deficits, outflows under FIIs were the other major sources contributing to decline in foreign exchange reserves during April-December 2008.