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RESERVE BANK OF INDIA

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Sources of Variation in Foreign Exchange Reserves in India
during April-September 2012

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q2 of 2012-13 (July-September 2012) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during April-September 2012 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-September 2012

During April-September 2012, there was small 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			2011-12 April-September	2012-13 April-September
I.		Current Account Balance	-36.4	-39.0
II.		Capital Account (net) (a to f)	42.1	39.3
	a.	Foreign Investment (i+ii)	17.1	18.6
		(i) Foreign Direct Investment	15.8	12.8
		(ii) Portfolio Investment	1.3	5.8
		Of which:		
		FIIs	0.9	6.2
		ADRs/GDRs	0.5	0.2
	b.	External Commercial Borrowings	8.4	1.7
	c.	Banking Capital	19.7	14.9
		of which: NRI Deposits	3.9	9.4
	d.	Short-Term Trade Credit	5.9	9.5
	e.	External Assistance	0.6	0.0
	f.	Other Items in Capital Account	-9.7	-5.4
III.		Valuation Change	0.9	0.1
		Total (I+II+III) @	6.6	0.4
*: Based on old format of BoP @: Difference, if any, is due to rounding off. Note: (i) 'Other items in capital account' apart from 'Errors and Omissions' 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 (-).				

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 0.4 billion during April-September 2012 as compared with an increase of US\$ 5.7 billion during the same period previous year. The foreign exchange reserves (including the valuation effects) increased by US\$ 0.4 billion during April-September 2012 as against an increase of US\$ 6.6 billion during the same period a year ago (Table 2).

Table 2: Comparative Position of Variation in Reserves			
		(US\$ billion)	
Items		2011-12 April- September	2012-13 April- September
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	6.6	0.41
2.	Valuation Effects (Gain (+)/Loss (-))	0.9	0.05
3.	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	5.7	0.36
4.	Percentage of increase/decline in Reserves explained by Valuation Gain/Loss	13.7	12.2
Note: 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, amounted to US\$ 0.05 billion during April-September 2012 as compared with valuation gain of US\$ 0.9 billion during the same period last year.