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RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves in India
during April-December 2014**

Earlier today, the Reserve Bank of India released the [Balance of Payments \(BoP\) data for October-December 2014](http://www.rbi.org.in) on its website (www.rbi.org.in). On the basis of these data, the sources of variation in foreign exchange reserves during April-December 2014 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-December 2014

During April-December 2014, 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			2013-14 April- December	2014-15 April- December
I.		Current Account Balance	-31.1	-26.3
II.		Capital Account (net) (a to f)	39.4	57.6
	a.	Foreign Investment of which	16.2	52.2
		Foreign Direct Investment	20.7	23.8
		Portfolio Investment	-4.4	28.5
		FII	-4.5	28.5
		ADR/GDR	0.0	0.0
	b.	Banking Capital	27.2	10.0
		Of which: NRI Deposits	35.1	10.1
	c.	Short term credit	-0.6	-2.7
	d.	External Assistance	0.1	0.9
	e.	External Commercial Borrowings	6.7	5.2
	f.	Other items in capital account	-10.2	-7.9
III.		Valuation change	-6.6	-14.8
		Total (I+II+III) @	1.8	16.4
		Increase in reserves (+) / Decrease in reserves (-)		

*: Based on old format of BoP.
@: Difference, if any, is due to rounding off.
Note: '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.

On balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 31.3 billion during April-December 2014 as compared with US\$ 8.4 billion during April-December 2013. The foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 16.4 billion during April-December 2014 as compared to US\$ 1.8 billion during the same period of preceding year (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2013-14	2014-15
		April-December	April-December
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	1.8	16.4
2	Valuation Effects (Gain (+)/Loss (-))	-6.6	-14.8
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	8.4	31.3
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 along with the decline in the international price of gold, amounted to US\$ 14.8 billion during April-December 2014 as compared with US\$ 6.6 billion during the same period of preceding year.

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