



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves in India during 2011-12**

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for Q4 of 2011-12 (January-March 2012) on its website ([www.rbi.org.in](http://www.rbi.org.in)). On the basis of these data, the sources of variation in foreign exchange reserves during 2011-12 (April-March) have been compiled.

**Sources of Variation in Foreign Exchange Reserves: 2011-12 (April-March)**

During 2011-12, there was a decline 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 |    |                                       | 2010-11<br>April-March | 2011-12<br>April-March |
|-------|----|---------------------------------------|------------------------|------------------------|
| I.    |    | <b>Current Account Balance</b>        | <b>-45.9</b>           | <b>-78.2</b>           |
| II.   |    | <b>Capital Account (net) (a to f)</b> | <b>59.0</b>            | <b>65.4</b>            |
|       | a. | Foreign Investment (i+ii)             | 39.7                   | 39.2                   |
|       |    | (i) Foreign Direct Investment         | 9.4                    | 22.1                   |
|       |    | (ii) Portfolio Investment             | 30.3                   | 17.2                   |
|       |    | Of which:                             |                        |                        |
|       |    | FIIIs                                 | 29.4                   | 16.8                   |
|       |    | ADRs/GDRs                             | 2.0                    | 0.6                    |
|       | b. | External Commercial Borrowings        | 12.5                   | 10.3                   |
|       | c. | Banking Capital                       | 5.0                    | 16.2                   |
|       |    | of which: NRI Deposits                | 3.2                    | 11.9                   |
|       | d. | Short-Term Trade Credit               | 11.0                   | 6.7                    |
|       | e. | External Assistance                   | 4.9                    | 2.3                    |
|       | f. | Other Items in Capital Account        | -14.1                  | -9.3                   |
| III.  |    | <b>Valuation Change</b>               | <b>12.7</b>            | <b>2.4</b>             |
|       |    | <b>Total (I+II+III) @</b>             | <b>25.8</b>            | <b>-10.4</b>           |

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

\*: Based on old format of BoP

@: Difference, if any, is due to rounding off.

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves declined by US\$ 12.8 billion during 2011-12 as against an increase of US\$ 13.1 billion during the previous year. The foreign exchange reserves (including the valuation effects) declined by US\$ 10.4 billion during 2011-12 as against an increase of US\$ 25.8 billion during the previous year (Table 2).

| <b>Table 2: Comparative Position of Variation in Reserves</b>   |                                                                                                  |                                |                                |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                 |                                                                                                  | (US\$ billion)                 |                                |
| <b>Items</b>                                                    |                                                                                                  | <b>2010-11<br/>April-March</b> | <b>2011-12<br/>April-March</b> |
| 1.                                                              | Change in Foreign Exchange Reserves<br>(Including Valuation Effects)                             | 25.8                           | (-) 10.4                       |
| 2.                                                              | Valuation Effects<br>(Gain (+)/Loss (-))                                                         | 12.7                           | 2.4                            |
| 3.                                                              | Change in Foreign Exchange Reserves on BoP basis<br>( <i>i.e.</i> , Excluding Valuation Effects) | 13.1                           | (-) 12.8                       |
| 4.                                                              | Percentage of increase/decline in Reserves<br>explained by Valuation Gain/Loss                   | 49.2                           | (-) 23.1                       |
| <b>Note:</b> Increase in reserves (+)/Decrease in reserves (-). |                                                                                                  |                                |                                |

The valuation gain, reflecting the depreciation of the US dollar against major currencies, accounted for US\$ 2.4 billion during the year 2011-12 as compared with US\$ 12.7 billion in 2010-11.

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