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RESERVE BANK OF INDIA

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**Sources of Variation in Foreign Exchange Reserves in
India during April-June 2010-11**

Earlier today, the Reserve Bank of India released the Balance of Payments (BoP) data for the first quarter (April-June) of 2010-11 on its website (www.rbi.org.in). On the basis of these data, sources of variation in foreign exchange reserves during April-June 2010-11 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-June 2010-11

During April-June 2010-11, there was an accretion to the foreign exchange reserves in BoP terms (i.e., excluding valuation effects). However, in nominal terms (i.e., including valuation effects), there was a decline in foreign exchange reserves during the quarter. 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			2009-10 April-June	2010-11 April-June
I.		Current Account Balance	-4.5	-13.7
II.		Capital Account (net) (a to f)	4.6	17.4
	a.	Foreign Investment (i+ii)	14.4	7.8
		(i) Foreign Direct Investment	6.1	3.2
		(ii) Portfolio Investment	8.3	4.6
		Of which:		
		FIIIs	8.2	3.5
		ADRs/GDRs	0.04	1.1
	b.	External Commercial Borrowings	-0.5	2.7
	c.	Banking Capital	-3.4	4.0
		of which: NRI Deposits	1.8	1.1
	d.	Short-Term Trade Credit	-1.5	5.6
	e.	External Assistance	0.1	2.3
	f.	Other Items in Capital Account*	-4.6	-5.0
III.		Valuation Change	13.1	-7.0
		Total (I+II+III)	13.2@	-3.3

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 (-).

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

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 3.7 billion during April-June 2010-11 as against an increase of US\$ 0.1 billion during April-June 2009-10. The foreign exchange reserves (including the valuation effects) declined by US\$ 3.3 billion during April-June 2010-11 as against an accretion of US\$ 13.2 billion during April-June 2009-10 (Table 2).

Table 2: Comparative Position			
(US\$ billion)			
Items		2009-10 April-June	2010-11 April-June
1.	Change in Foreign Exchange Reserves (Including Valuation Effects)	13.2	(-) 3.3
2.	Valuation Effects (Gain (+)/Loss (-))	13.1	(-) 7.0
3.	Change in Foreign Exchange Reserves on BoP basis [(1)-(2)] (<i>i.e.</i> , Excluding Valuation Effects)	0.1	3.7
Note: Increase in reserves (+)/Decrease in reserves (-).			

The valuation losses, reflecting the appreciation of the US dollar against major currencies, accounted for US\$ 7.0 billion during April-June 2010-11 as against valuation gains of US\$ 13.1 billion during April-June 2009-10.

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