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RESERVE BANK OF INDIA

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Sources of Variation in Foreign Exchange Reserves in India during April-June 2017

Earlier today, the Reserve Bank of India released [balance of payments \(BoP\) data for April-June 2017](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-June 2017 have been compiled.

Sources of Variation in Foreign Exchange Reserves: April-June 2017

The sources of variation underlying the increase in the foreign exchange reserves during April-June 2017 are set out in Table 1.

Table 1: Sources of Variation in Foreign Exchange Reserves*				
(US\$ billion)				
Items			2016-17 April-June	2017-18 April-June
I.		Current Account Balance	-0.4	-14.3
II.		Capital Account (net) (a to f)	7.4	25.7
	a.	Foreign Investment (i+ii)	6.0	19.7
		(i) Foreign Direct Investment (FDI)	3.9	7.2
		(ii) Portfolio Investment	2.1	12.5
		<i>Of which:</i>		
		Foreign Institutional Investment (FII)	1.2	11.9
		<i>ADR/GDR</i>	0.0	0.0
	b.	Banking Capital	-0.1	6.2
		<i>Of which: NRI Deposits</i>	1.4	1.2
	c.	Short term credit	-0.3	0.6
	d.	External Assistance	0.7	0.6
	e.	External Commercial Borrowings	-2.0	-0.3
	f.	Other items in capital account	3.1	-1.1
III.		Valuation change	-3.6	5.2
		Total (I+II+III) @	3.3	16.6
		Increase in reserves (+) / Decrease in reserves (-)		
*: Based on old format of BoP which may differ from the new format (BPM6) in the treatment of transfers under the current account and ADRs/ GDRs under portfolio investment. @: Difference, if any, is due to rounding off. Note: 'Other items' in the capital account apart from 'errors and omissions' include SDR allocation, leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI and capital receipts not included elsewhere.				

On a balance of payments basis (*i.e.*, excluding valuation effects), the foreign exchange reserves increased by US\$ 11.4 billion during April-June 2017 as compared with an accretion of US\$ 7.0 billion during April-June 2016. The foreign exchange reserves in nominal terms (including the valuation effects) increased by US\$ 16.6 billion during April-June 2017 as compared with an increase of US\$ 3.3 billion during the same period last year (Table 2).

Table 2: Comparative Position of Variation in Reserves			
(US\$ billion)			
Items		2016-17	2017-18
		April-June	April-June
1	Change in Foreign Exchange Reserves (Including Valuation Effects)	3.3	16.6
2	Valuation Effects (Gain (+)/Loss (-))	-3.6	5.2
3	Change in Foreign Exchange Reserves on BoP basis (<i>i.e.</i> , Excluding Valuation Effects)	7.0	11.4
Note: Increase in reserves (+)/Decrease in reserves (-). Difference, if any, is due to rounding off.			

Valuation gain, mainly reflecting the depreciation of the US dollar against major currencies, amounted to US\$ 5.2 billion during April-June 2017 as against a loss of US\$ 3.6 billion during the same period of the preceding year.

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