

Foreign Exchange Reserves

6.66 The foreign exchange reserves of the country consist of foreign currency assets held by the RBI, gold holdings of the RBI and SDRs. Foreign currency assets at the end of March 2000 amounted to US \$35.06 billion, showing an increase of US \$5.54 billion during 1999-2000. During the first seven months of 2000-01, these assets had declined by about US \$2.96 billion to US \$32.09 billion at the end of October 2000, reflecting steps (sale of foreign exchange) taken by the RBI to meet part of the excess demand in the foreign exchange market created by the surge in India's oil import bill because of the near tripling of international oil prices within a year or so. An essential component of our strategy to meet the challenge of this extraordinary increase in our oil import

bill was to arrange exceptional BOP financing in the form of India Millennium Deposits (IMD) floated by the State Bank of India. As a result, the foreign exchange reserves increased and, thereby, the confidence in the market was strengthened. At end-January, 2001, the foreign currency assets of the RBI reached an all time high level of US \$38.36 billion, showing an increase of US \$3.30 billion during the current financial year. While gold holdings of the RBI were 357.8 tonnes (same as at end-March 2000), the value of these holdings declined to US \$2751 million at end-January, 2001 from US \$2974 million at end-March 2000, reflecting re-valuation losses. Total foreign exchange reserves (including gold and SDRs) at end-January, 2001 amounted to US \$41.12 billion, providing cover for about 8 months of estimated imports in 2000-01.