

Foreign exchange reserves

6.65 The foreign exchange reserves of India consist of foreign currency assets held by the RBI, gold holding of the RBI and SDRs. The foreign currency assets at the end of March 2002 amounted to US \$51.05 billion showing an increase of US \$11.50 billion over US \$39.55 billion at the end of March 2001. Of the total increase of foreign currency assets, a large part (US \$9.10 billion) was realised during the second half of 2001-02. Although the gold holdings of RBI remained unchanged at the level of 358 tonnes, the value of these holdings increased to US \$3.05 billion at the end of March 2002 (as against US \$2.73 billion at the end of March 2001), reflecting revaluation gains. The level of SDRs held by the Government increased to US \$10 million at the end of March 2002 from the level of US \$2 million at the end of March 2001. The total foreign exchange reserves (including gold and

SDRs) at the end of March 2002, thus, amounted to US \$54.11 billion as compared with US \$42.28 billion at the end of March 2001. Reserve accretion has accelerated in the current financial year with foreign exchange reserves reaching US \$73.58 billion as on January 31, 2003 increasing by US \$19.47 billion over the level of end March 2002. A recent RBI study shows that the major sources of reserve accretion in the current fiscal year till the end of November 2002 have been a surplus in the current account, non-debt creating capital flows and valuation gains. In spite of the interest rate differential of 3-4 percent between the rates abroad and in India, there is no evidence to suggest that arbitrage through debt capital was substantial. It is estimated that as much as two third of the reserves accretion was on account of non-debt capital flows. The current level of foreign exchange reserves is sufficient to provide cover for more than a year's import.