

## Foreign exchange reserves

6.72 During 2003-04, India experienced an all-time high reserve accumulation of US\$36.9 billion (including valuation changes, gold, SDR and the reserve position at the IMF). In the current year, total foreign exchange reserves stood at US\$128.9 billion on February 4, 2005. This represents an accretion of US\$15.9 billion in the year so far, as against an accretion to reserves of US\$31 billion in the corresponding period of 2003-04.

6.73 The emergence of a current account deficit during the first half of the year contributed to an attenuation of reserve accretion (Table 6.14). Net outflows under non-resident deposits also played a major role. Further, while during April-September 2003-04, there were positive valuation gains brought about by appreciation of major non-dollar currencies against the US dollar, during the current year, there have been valuation losses, on account of the US dollar, on average, strengthening against its counterparts. Debt inflows (viz. external assistance, commercial

**Table 6.14 : Sources of accretion to foreign exchange reserves (US\$ billion)**

Items	April-Sept. 2003-04	April-Sept. 2004-05
1. Current account balance	2.2	-3.3
2. Capital account (net)	11.9	10.1
a. Foreign Investment	5.1	2.6
b. Banking Capital	2.2	0.3
Of which, NR deposits	2.2	-1.3
c. Short term credit	2.0	2.0
d. External Assistance	-0.2	0.4
e. External commercial borrowings.	0.2	2.1
f. Other capital	2.6	2.7
3. Valuation change	2.1	-0.2
<b>Total (1+2+3)</b>	<b>16.2</b>	<b>6.6</b>

borrowings and short term credit) have been significant in building up reserves during the current year, while foreign investment inflows were instrumental behind such a build-up in the previous year.