

## **Foreign Exchange Reserves**

6.60 The foreign exchange reserves of the country consist of (i) foreign currency assets held by the RBI, (ii) gold holdings of the RBI and (iii) Special Drawing Rights (SDRs). The trend in reserves is largely governed by the foreign currency assets component, which tends to move in either direction on a day-to-day basis. The foreign currency assets increased by US \$3.55 billion in 1998-99 and further by about US \$2.42 billion in 1999-2000 (till end-January 2000) to US \$31.94 billion. The quantity of gold held by the RBI fell from 396.2 tonnes at the end of March 1998 to 357.3 tonnes at the end of March 1999 on account of

redemption obligations under the Gold Bond Scheme. Reflecting this reduction in quantity as well as valuation losses on account of decline in international gold prices in the first half of 1999, the value of gold held by the RBI declined from US \$3391 million at the end of March 1998 to US \$2960 million at the end of March 1999. At the end of January, 2000 the quantity of gold holdings amounted to 357.8 tonnes, valued at US \$2945 million. In sum, total foreign exchange reserves (including gold and SDRs) at the end of January 2000 amounted to US\$ 34.90 billion, which provides cover for about 8 months of estimated imports in 1999-2000 and reflects a record high for reserves stock.