

# Foreign Exchange Reserve

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

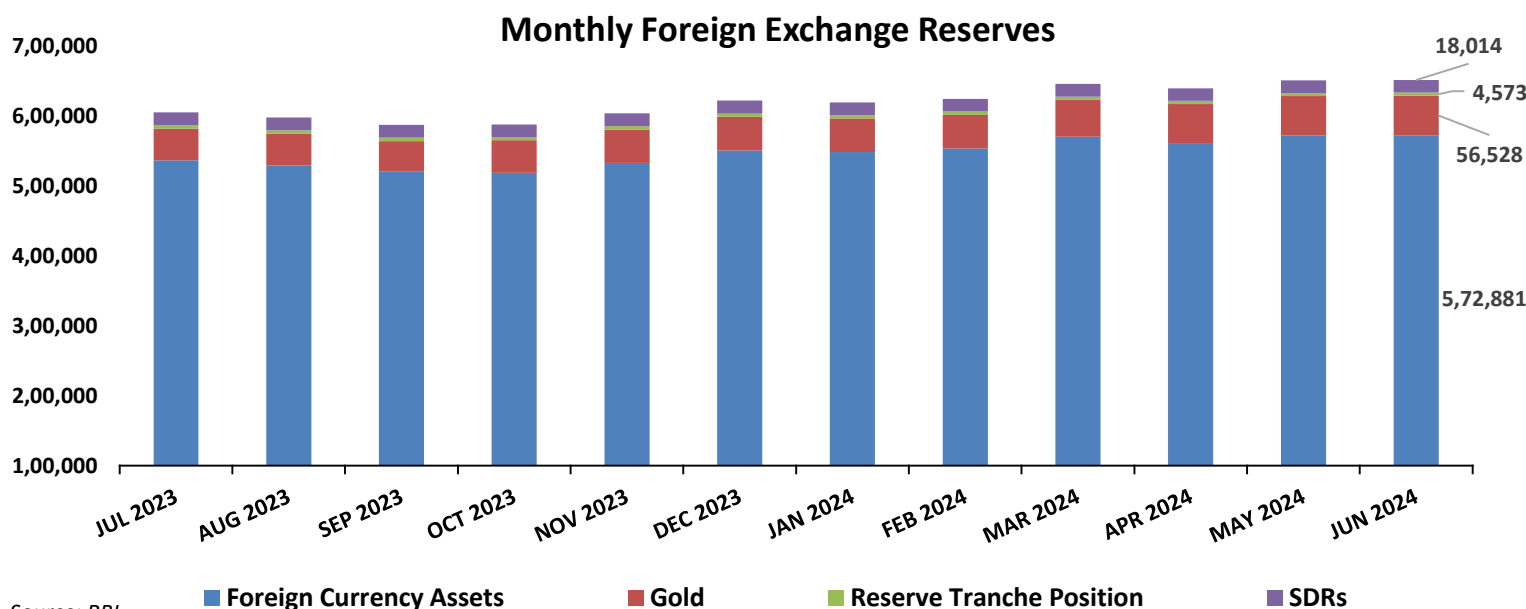
## India's Foreign Exchange Reserves Reach a record high of over \$680 Billion in August 2024

Component	Amount (in US \$ Millions)
Total Reserves	6,83,987
Foreign Currency Assets	5,99,037
Gold Reserves	61,859
Special Drawing Rights (SDR)	18,468
Reserve Position in IMF	4,622

- India's foreign exchange (forex) reserves have reached a record high, surpassing \$680 billion as of August 2024. This remarkable achievement underscores the nation's robust economic standing and resilience.
- The Indian forex reserves are composed of foreign currency assets, gold, Special Drawing Rights (SDRs), and the country's reserve position with the International Monetary Fund (IMF).
- The status of India's Foreign Exchange Reserves, categorized by various components as of 30th August, is detailed in the table.

Monthly position of Foreign exchange reserve and its Components is given below:

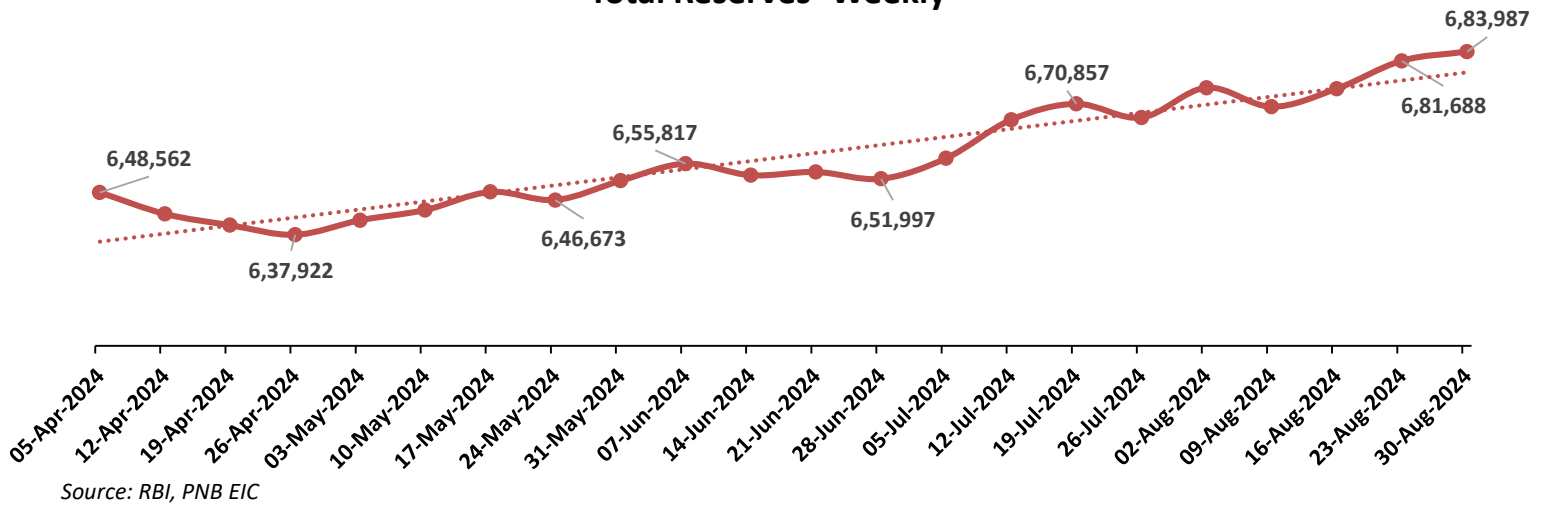
In US \$ Millions



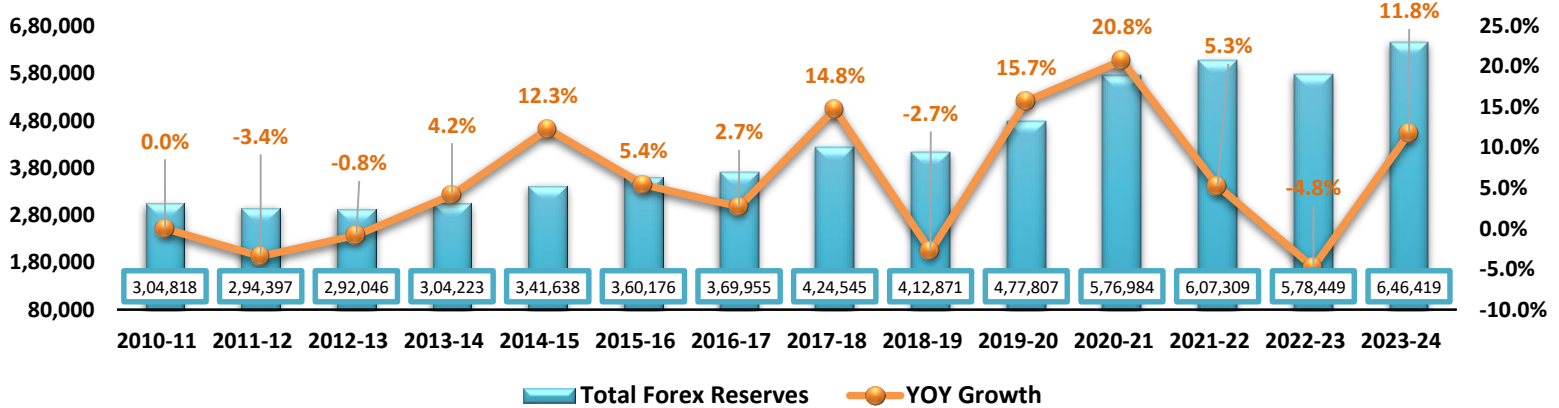
Source: RBI

- India's foreign exchange (forex) reserves increased by \$2,299 million, reaching a new record high of \$683,987 million for the week ending on August 30, compared to \$681,688 million in the previous reporting week.
- Foreign Currency Assets (FCAs), the largest component of the reserves, amounted to \$599,037 million as compared to \$597,552 million in the previous reporting week. Gold reserves also saw an increase, rising to \$61,859 million.
- The total reserves experienced a yearly growth of 14.21%, with gold reserves showing the most significant annual increase of 37.65%, followed by FCAs with a growth of 12.88%. This increase in gold reserves is primarily attributed to purchases by the RBI, reflecting the central bank's trend to diversify its foreign reserves and reduce its reliance on the U.S. dollar.
- For the fiscal year ending March 2024 also, gold reserves saw a notable growth of 18.59% followed by FCAs.
- India's foreign exchange reserves have been on a consistent upward trajectory, with a cumulative increase of over \$60 billion in 2024 till August.
- India currently ranks 4th globally in terms of forex reserves, following China, Japan, and Switzerland.

### Total Reserves -Weekly



### Yearly Movement of Total Foreign Exchange Reserves with growth %



#### ➤ Factors influencing India's Foreign Exchange Reserve:

- **Economic Factors:** Economic growth, trade balance, and inflation control directly impact the accumulation or depletion of India's forex reserves.
- **Political Factors:** Government policies, political stability, and international relations influence foreign investment and capital flows, affecting reserves.
- **Global Factors:** Global economic conditions, exchange rate fluctuations, and international crises can cause significant shifts in India's forex reserves.

- India maintains high forex reserves to stabilize the value of the rupee and prevent excessive volatility in the foreign exchange markets.
- These reserves act as a crucial buffer against external shocks, providing liquidity during times of crisis and ensuring the country can meet foreign debt obligations and finance essential imports.
- High reserves boost investor confidence, attracting foreign direct investment and supporting long-term economic growth.
- They also strengthen the country's monetary and exchange rate policies, helping to reduce inflationary pressures. In times of crisis, such as the COVID-19 pandemic, strong reserves enable the government to manage both internal and external financial challenges effectively.
- Additionally, the Reserve Bank of India (RBI) can intervene in the foreign exchange markets to maintain orderly conditions, which plays a crucial role in preserving investor confidence. Overall, India's growing forex reserves reflect its economic strength, resilience to global uncertainties, and capacity to sustain long-term stability and development.