

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1601

ANSWERED ON:04.03.2011

EFFECT OF FOREIGN EXCHANGE RESERVES ON PRICES OF COMMODITIES

Agarwal Shri Jai Prakash

Will the Minister of FINANCE be pleased to state:

- (a) the total foreign exchange reserves in the country as on date;
- (b) the names of countries, the currencies of which are available in foreign exchange reserves of the country;
- (c) the proportion of reserves invested by the Reserve Bank of India (RBI) during the last three years;
- (d) whether an assessment of the impact of the foreign exchange reserves on the prices of commodities has been undertaken; and
- (e) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) The total foreign exchange reserves of the country stood at US\$ 300.6 billion as on February 18, 2011.
- (b) The reserves of the country comprise foreign currency assets (FCA), gold, SDR and reserve position in the IMF. The foreign currency assets are maintained in major currencies like US Dollar, Euro, Pound Sterling, Japanese Yen etc.
- (c) The break-up of reserves as at the end of last three years are given below. RBI owns and manages the FCA and the gold component of foreign exchange reserves. The SDR and the reserve position in the IMF belong to the Government of India. FCA and gold components represented 99.7, 97.7 and 97.6 per cent of total foreign exchange reserves as at the end of December 2008, 2009 and 2010 respectively.

Foreign Exchange Reserves

(in US\$ billion)

End of the month in the	FCA in the	Gold	SDR IMF	Reserve exchange reserves	Total foreign
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December2008	246.6	8.5	0.0#	0.9	256.0
December2009	258.6	18.3	5.2	1.4	283.5
December2010	267.8	22.5	5.1	2.0	297.3

The actual value of SDR at end December 2008 was US\$ 3 million. Note: FCA excludes US\$ 250 million invested in foreign currency denominated bonds issued by IIFC (UK).

(d) & (e) The link between overseas capital inflows, reserve accumulation and inflation is largely a function of the extent of central bank intervention, valuation changes, the liquidity conditions prevailing in the market and the measures taken, if any, to sterilize excess liquidity. In India, the central bank intervention in the foreign exchange market has been minimal lately.