

Forex reserves fall to lowest in 23 months

RBI's defence of the rupee cited as reason

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The Reserve Bank of India's (RBI's) headline foreign exchange reserves declined by \$7.9 billion to \$553.11 billion in the week ended September 2, the latest central bank data showed.

The reserves are at their lowest since October 9, 2020, the RBI data showed. Analysts cited the RBI's defence of the rupee through dollar sales amid a globally strengthening greenback as one of the reasons for the fall in reserves.

Incidentally, during the week that ended September 2, the rupee marked a fresh intraday low of 80.13 per US dollar.

The decline in the foreign exchange reserves in the week ended September 2 was largely on account of a fall in foreign currency assets, which dropped \$6.5 billion to \$492.12 billion, the RBI data showed.

"The RBI has been continuously intervening in forex markets to protect against any sharp depreciation in the

rupee. In August alone, the RBI's forex reserves declined from \$573.9 billion to \$553.1 billion while the rupee remained resilient among Asian peers and became the median performer," HDFC Securities research analyst Dilip Parmar told *Business Standard*.

"The forex kitty declined by \$7.9 billion — as the RBI weekly statistical supplement showed — which was on the back of some non-dollar currency devaluation and dollar selling to curb the unwarranted volatility in the forex market," he said.

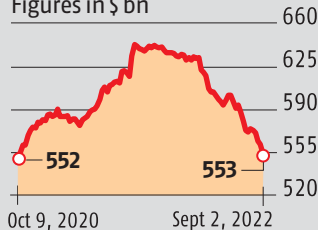
While the rupee weakened to a fresh low of 80.13 per US dollar on August 29, the domestic currency ended that week 0.1 per cent stronger against the greenback. Dealers had said the RBI had sold more than \$1 billion in the foreign exchange market on August 29 alone as it reined in the rupee's weakness.

Earlier this week, RBI Governor Shaktikanta Das said the central bank's interventions in the foreign exchange market were not just aimed at preventing excessive volatility but



DOWN BY \$8 BN IN A WEEK

Figures in \$ bn



Source: RBI

also anchoring expectations around the depreciation of the rupee. The rupee has weakened 6.6 per cent versus the dollar so far in 2022. The RBI has heavily drawn down on its reserves since Russia invaded Ukraine in late February, an event which sparked a global rush of investment to the safety of the US dollar.

From \$631.53 billion as on February 25, the RBI's headline foreign exchange reserves have fallen almost \$80 billion reflecting to a great extent, the central bank's defence of the rupee.

"The USD-INR pair was once again

approaching to test 80.00 mark, but made a high of 79.94 and reversed due to heavy intervention seen from the RBI which is also a reflection from the declining forex reserves data for the week," Shinhan Bank's Vice-President (Global Trading Centre) Kunal Sodhani said.

"USD-INR may continue to hold 80.00 levels for some more time, while immediate support comes in at 79.10 levels," he said.

In August, the RBI had said reserves worth \$573 billion were equivalent to 9.4 months of imports projected for the current fiscal year.