

A first in 9 weeks: Forex reserves rise by \$204 mn

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The Reserve Bank of India's (RBI's) foreign exchange reserves rose for the first time in nine weeks. According to the latest data, the forex reserves stood at \$532.87 billion in the week ended October 7 —\$204 million higher than a week ago.

Before this, the RBI's foreign exchange reserves last witnessed an increase in the week ended July 29, by \$2.3 billion. But during the week under review, the RBI's foreign currency assets registered a decline of \$1.3 billion to \$471.5 billion. The value of the central bank's gold holdings increased by \$1.4 billion to \$38.9 billion, the data showed.

During the period, the rupee depreciated 1.2 per cent against the dollar; it weakened past the 82 per dollar mark for the first time on October 7. So far in 2022, the rupee has depreciated 9.7 per cent against the greenback.

Analysts said there was an increase in the forex reserves, even as the RBI did not discontinue shielding the rupee from excessive volatility through sales of the dollar.

The central bank likely intervened through the forwards segment of the currency market in order to prevent its headline foreign exchange

BUCKING THE TREND

| Date | Weekly chg (\$ billion) | Level (\$ billion) |
|--------|-------------------------|--------------------|
| Jul 29 | (+) 2.3 ▲ | 573.88 |
| Aug 05 | (-) 0.8 ▼ | 572.98 |
| Aug 12 | (-) 2.2 ▼ | 570.74 |
| Aug 19 | (-) 6.7 ▼ | 564.05 |
| Aug 26 | (-) 3.0 ▼ | 561.05 |
| Sep 02 | (-) 7.9 ▼ | 553.11 |
| Sep 09 | (-) 2.2 ▼ | 550.87 |
| Sep 16 | (-) 5.2 ▼ | 545.65 |
| Sep 23 | (-) 8.1 ▼ | 537.52 |
| Sep 30 | (-) 4.9 ▼ | 532.66 |
| Oct 07 | (+) 0.2 ▲ | 532.87 |

Source: RBI

Use forex reserves prudently: IMF to emerging economies

Amid the dollar's appreciation to its highest level since 2000, the International Monetary Fund (IMF) has asked emerging and developing economies to prudently use their dollar denominated foreign exchange reserves, allowing the exchange rate to adjust. A joint note released on

Friday by IMF chief economist Pierre-Olivier Gourinchas and deputy Managing Director Gita Gopinath said central banks should intervene on a temporary basis when currency movements substantially raise financial stability risks or disrupt the ability to maintain price stability. **SHIVA RAJORA**

reserves from showing a sharp decline, analysts said.

"For the week in question, the euro also depreciated and

the dollar index rose, so there's going to be a negative valuation impact. I think the large drop in FX assets is

largely on account of FX valuations. The way the dollar index is moving, an impact of \$1.5-2 billion can be the weekly impact," Anindya Banerjee, V-P, currency derivatives & interest rate derivatives, Kotak Securities, told *Business Standard*.

"The RBI selling (of dollars) would largely be done through forwards and that's the reason why the forward premia have come down quite a bit. That way the impact is not quite felt on the headline reserves," he said.

C R Forex Advisors MD Amit Pabari said: "The week-on-week changes in the forex reserve figure is just positive by \$204 million, which is much less when compared with the recent fall in the kitty. This could be on account of little recovery in the US bond prices; at least 67 per cent of changes in the reserves are due to revaluation."

The RBI's foreign exchange reserves have reduced sharply since the start of the war in Ukraine in late February. As on February 25, the headline reserves were at \$631.53 billion, almost \$100 billion higher than the current level.

Last month, RBI Governor Shaktikanta Das said 67 per cent of the decline in foreign exchange reserves during the current financial year was due to valuation changes caused by a stronger US dollar.