

Forex reserves surge \$10 bn to 5-month high

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Mumbai, 20 January

The Reserve Bank of India's (RBI's) foreign exchange reserves surged by \$10.42 billion to a five-month high of \$572 billion in the week ended January 13, latest data showed.

The reserves were at \$572.98 billion in the week ended August 5, 2022. The rise in the RBI's reserves is the sharpest since the week ended December 2, 2022. According to analysts, the increase in the reserves was owing to a positive valuation impact in the face of a weaker US dollar as well as likely purchases of the American currency by the RBI. For the week ended January 13, the RBI's foreign currency assets jumped \$9.1 billion to \$505.52 billion, the data showed.

In the previous week, the US dollar index weakened sharply as data showed slowing inflation in the country, strengthening the case for the Federal Reserve to reduce the pace of its monetary tightening. The rupee gained 1.7 per cent versus the US dollar in the previous week, strengthening past the 82 per dollar mark.

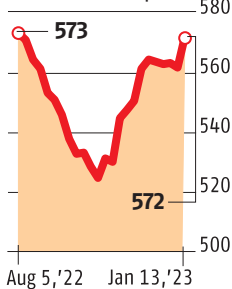
"The overall balance of payments has improved and so have valuations. There were likely some dollar purchases by the RBI. That can be seen from the improvement in the liquidity situation in the banking system," Soumyajit Niyogi, director, India Ratings & Research said.

"Moreover, the fourth quarter is typically favourable for flows, whether through export of software services or for debt-equity flows," he said. Following a decline of \$100 billion in its reserves from February to September of 2022, the RBI has over the past couple of months been replenishing its foreign exchange reserves.

The reserves increased by \$28.9 billion since September-end and stood at \$561.6 billion as on January 6, RBI staff said earlier this week.

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Fx reserves in \$ bn



Source: RBI
Compiled by BS Research Bureau