

Forex reserves: import cover fell to 10.8 months in December, says RBI

Money matters: The reserves for the week ended June 29 stood at \$406.1 billion. Reuters

The adequacy of foreign exchange reserves, measured by import cover, declined to 10.8 months in December 2017, from 11.3 months at the end of March 2017, the Reserve Bank of India (RBI) said in a biannual report on exchange management.

Total foreign exchange reserves were at \$409 billion in December 2017 as compared with \$370 billion as on March 2017. The reserves for the week ended June 29 stood at \$406.1 billion, according to latest data released by the RBI.

Import cover is an indicator for the currency's stability. Typically, 10 months of import cover is seen as stable for the currency. The ratio of short-term debt to foreign exchange reserves, which was 23.8% at end-March 2017, remained at the same level at end-December 2017. The ratio of volatile capital flows to foreign exchange reserves declined from 88.1% at end-March 2017 to 86.9% at end-December 2017.

"The Reserve Bank holds 560.32 tonnes of gold, of which 268.01 tonnes are held overseas in safe custody with the Bank of England and the Bank for International Settlements (BIS). Gold as a share of the total foreign exchange reserves in value terms (USD) stood at about 5% as at end-March, 2018," the RBI said.

Of the foreign currency assets of \$399.44 billion, \$262.01 billion was invested in securities, \$109.67 billion was deposited with other central banks and the BIS and \$27.76 billion was held with commercial banks.

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