

'DROP IN FOREX RESERVES CONCERNING AS INFLOWS LAG'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

India's foreign exchange reserves dropping to a two-year low is concerning as the pace of foreign inflows into the country's markets eases amid global monetary policy tightening, an economist said on Monday.

India's foreign exchange reserves declined to \$553.1 billion in the week ended September 2, their lowest since October 2020 and down by \$8 billion from the previous week, Reserve Bank of India data showed.

It was the biggest drawdown in reserves since early July, which analysts attributed to the RBI intervening in currency markets to help the rupee after it hit a record low of 80.12 against a surging dollar that week.

"Situation is getting worrisome because the Federal Reserve and other central banks continue to act aggressively and inflows into Indian markets in September are not as robust as August's," said Anitha Rangan, economist with Equirus, adding imports are rising. Foreign investors have bought \$700 million in equities so far this month, after pouring in \$6.5 billion in August.

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