

Highest Forex Sales by RBI in FY25

***Prelims:** Economic and Social Development| Current events of national and international importance.*

Why in news?

The Reserve Bank of India sold a record \$398.71 billion of foreign currency in 2024-25 on a gross basis as the Indian central bank stepped up its defence of the rupee amid a volatile global environment.

- **Foreign Exchange Reserves** - They are **external assets** held by a country's central bank.
- These typically include:
 1. Foreign currency assets (FCA) like U.S. Treasury securities,
 2. Gold reserves,
 3. Special Drawing Rights (SDRs) from the IMF,
 4. Reserve Tranche Position in the IMF.
- The **Reserve Bank of India (RBI)** manages India's forex reserves on behalf of the Government of India.
- Management falls under RBI's broader mandate of maintaining **monetary and financial stability**, particularly **exchange rate stability**.

Importance of Forex Reserves

- **Currency stability** - To **stabilize the rupee** against excessive volatility in forex markets.
- **Crisis buffer** - To provide a cushion against **external shocks**, such as oil price spikes or geopolitical instability.
- **Investor confidence** - High reserves boost **global investor confidence** in India's macroeconomic health.
- **Debt management** - To help in managing and **servicing foreign debt** obligations.
- **Import cover** - To ensure sufficient **import cover**, typically desirable to be at least **6 months of imports**.

| Net purchase/sale of foreign currency | |
|---------------------------------------|---------|
| 2025 | |
| March | 14,355 |
| February | -1,621 |
| January | -11,139 |
| 2024 | |
| December | -15,150 |
| November | -20,228 |
| October | -9,275 |
| September | 9,639 |
| August | -6,494 |
| July | 6,934 |
| June | -2,107 |
| May | 4,222 |
| April | -3,647 |
| (In \$ Million) | |

Source: RBI

- **Current forex reserve** - At the end of FY25 (March 2025), India's total foreign exchange reserves stood at just under \$625 billion.
- For the FY25 with net **forex sales of \$34.51 billion**.
- This was the **second-highest net annual sale** since FY09 (**\$34.92 billion**) during the global financial crisis.
- It marks only the **seventh time in 30 years** that RBI sold more than it bought.
- This is mainly due to weakening rupee in second half of FY25 which dropped to **all-time low of Rs 87.95/USD** in February 2025.

In December 2024, RBI allowed banks to raise interest rates on FCNR deposits by 150 basis points to attract dollar deposits from NRIs.

FCNR (Foreign Currency Non-Resident) deposit is a type of term deposit account offered by Indian banks to NRIs.

Reference

[The Indian Express| RBI sold nearly \\$400 billion of Forex in FY25](#)



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