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**.



- **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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