India’s Forex Reserves Rise

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Why in News?

Recently, India’s foreign exchange (forex) reserves rose by $12.4 billion to a record $729.3 billion in the week ended August 21, 2026.

Foreign Exchange Reserves

- India’s forex reserves are external assets held by the **Reserve Bank of India** to meet international payment requirements and maintain confidence in the Indian economy.
- **Major components**
  - Foreign Currency Assets (FCAs)
  - Gold reserves
  - Special Drawing Rights (SDRs)
  - Reserve Tranche Position (RTP) in the IMF

Reasons for the Increase

- **RBI’s Concessional Swap Window –** Announced on June 5, the swap window mobilised $72.8 billion by August 21, contributing to a $62.4 billion increase in reserves.
- **Strong Capital Inflows –** The swap facility attracted significant foreign capital, thereby enhancing external liquidity and increasing reserves.
- **Revaluation Gains –** The appreciation of non-US currencies such as the euro, pound, and yen led to an increase in the dollar value of reserves.
- **Increase in FCAs –** Foreign Currency Assets increased by $9.48 billion, reaching $591.33 billion and further strengthening the reserves.

Reference

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