

RBI's Net Dollar Purchases Hit Record High

Prelims: *Current events of national and international importance | Economy*

Why in News?

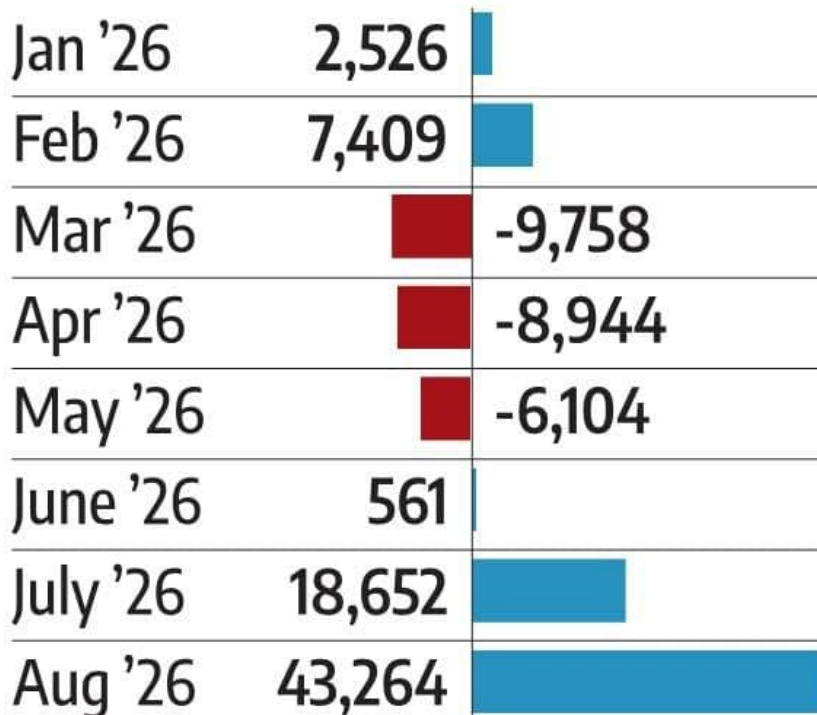
The Reserve Bank of India (RBI) recorded a net purchase of \$43.26 billion in August 2026, representing the highest monthly net dollar purchase in the available data.

- This amount was more than twice the net purchase of \$18.65 billion recorded in July 2026.
- The RBI's outstanding net short dollar position in the forward market increased to a record \$200.06 billion at the end of August 2026.
- The RBI's foreign exchange transactions were affected by dollars mobilised through a concessional swap facility for FCNR(B) deposits as well as foreign currency borrowings.

RBI's Net Dollar Purchase: Monthly Trend

The big swing

RBI's net purchase (+)/sale (-)
of \$ (in mn)



Source: RBI

Factors Contributing to the Sharp Increase in RBI's Dollar Purchases

- **Concessional swap facility** - Banks mobilised foreign currency through a special RBI swap facility associated with FCNR(B) deposits, external commercial borrowings (ECBs), and overseas foreign currency borrowings.
- **Return of dollars through the swap window** - The dollars mobilised under this facility were subsequently routed back to the RBI via the swap arrangement.
- **Early closure** - The RBI advanced the closure of the facility from 30 September to 31 August 2026, following the mobilisation of \$52.3 billion by banks as of 14 August.

Dollar Swap Arrangements - A foreign exchange swap is a financial arrangement in which two parties exchange currencies, typically with a predetermined agreement to reverse the transaction on a specified future date.

In the context of an RBI dollar-rupee swap:

- The Reserve Bank of India (RBI) may supply rupees to banks in exchange for United States dollars.

- Both parties agree to reverse the currency exchange on a predetermined future date.
- Such transactions assist in managing banking system liquidity and regulating foreign exchange flows.

RBI's Forward Market Position

A forward contract refers to an agreement to exchange currencies at a specified rate on a predetermined future date.

Net Short Dollar Position

- A short dollar position indicates that the Reserve Bank of India has committed to deliver U.S. dollars in the future under its outstanding contracts, after considering relevant offsetting positions.
- These positions assist the Reserve Bank of India in managing foreign exchange liquidity and mitigating exchange-rate volatility.
- These positions also generate future contractual obligations and expose the central bank to fluctuations in exchange rates.

***Note** - A large net short position in the forward market does not necessarily indicate that the Reserve Bank of India has sold an equivalent amount of dollars from its current spot-market reserves.*

Reference

[BS | RBI's Net Dollar Purchases Hit Record High](#)

