RBI gold reserves up 40.4 tonnes in 2019-20, more than half of total holdings held overseas

Context

The RBI's total gold reserves were 612.56 tonnes in the preceding fiscal ended March 2019. With the addition of more stocks, the value of gold reserves rose to $30.57 billion (around Rs 2,32,000 crore) by March 2020 from $23.07 billion in March 2019.

News

The Reserve Bank of India (RBI) bought 40.45 tonnes of gold in financial year 2019-20, taking its total holdings of the yellow metal to 653.01 tonnes.

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As much as 360.71 tonnes of gold was held overseas in safe custody with the Bank of England and the Bank for International Settlements, while the remaining gold is held domestically, the RBI said in its ‘Report on Management of Foreign Exchange Reserves’.

In value terms (USD), the share of gold in the total foreign exchange reserves rose from about 5.59 per cent as of March 2019 to about 6.40 per cent by March 2020.

Gains or losses on valuation of foreign currency assets and gold due to movements in the exchange rates and/or price of gold are booked under a balance sheet head named the Currency and Gold Revaluation Account (CGRA).

The balances in CGRA provide a buffer against exchange rate/gold price fluctuations.

During the half-year period under review, reserves followed an increasing trend from $445.11 billion as of October 2019 to $481.26 billion by February 2020. Thereafter, reserves decreased to $477.81 billion as of March 2020, the RBI report said.

Out of the reserves, $263.4 billion is invested in securities abroad and $147.5 billion is deposited in other central banks. The RBI has the mandate to invest up to $5 billion in bonds issued by the India Infrastructure Finance Company (UK) Ltd.

As of March 2020, the amount invested in such bonds stood at $1.86 billion.

World Gold Council (WGC)

According to the World Gold Council (WGC), headquartered at London, central banks of UAE (7 tonnes), India (6.8 tonnes), Kazakhstan (2.8 tonnes) and Uzbekistan (2.2 tonnes) increased their official gold reserves in the January-March period.

While central bankers around the globe were focused on the measures needed to contain the economic impact of COVID-19, the need for robust, liquid and diversified international reserves was apparent. And positive net purchases of gold confirm that it remains an important
Turkey added 72.7 tonnes in the March quarter, boosting gold reserves to 485.2 tonnes, 29 per cent of its total reserves. It was by far the largest buyer during the quarter, having also been the leading buyer in 2019, accounting for 50 per cent of the last quarter’s global total.

The Central Bank of Russia — the largest gold buyer since the end of 2005, the start of its 14-year buying streak — announced that it would suspend its gold buying programme from April 1.

**Balances in CGRA a buffer against price fluctuations**

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