

*International Banking Statistics of India: June, September and December 2012**

This article presents an analysis of trends in international liabilities and assets of Banks in India at quarterly intervals from 2009 onwards with special focus on the recent period pattern observed for the quarters ending June, September and December 2012¹. For this purpose, International Banking Statistics (IBS)² collected as per the reporting system of the Bank for International Settlements (BIS)³ is used. The article also gives a broad comparison of external debt with the international liabilities of banks in India. From a global perspective, the article provides a broad picture of foreign claims on the BRICS countries. The related data were released on the RBI website on June 21 2013.

Highlights

- International liabilities (in ₹ terms) of the banks located in India grew substantially (y-o-y) by 25.5

* Previous articles on the subject were published in various issues of the Reserve Bank of India Bulletin.

¹ The article based on December 2011 and March 2012 data on IBS was published in the September 2012 issue, wherein a brief on related data reporting for International Banking Statistics (IBS), purpose of IBS, BIS reporting area for IBS, the methodology of compilation of LBS/CBS, the distinction/relation between IBS *vis-à-vis* external debt of India, etc., has been provided as Annex.

² IBS comprises Locational Banking Statistics (LBS) and Consolidated Banking Statistics (CBS). This article presents analysis of the LBS based on assets and liabilities by type of instrument/components, currency, country of residence and sector of counter-party/transacting unit and nationality of reporting banks. The data on CBS gives international/foreign claims as per residual maturity and sector of borrower along with the exposures by country of immediate borrower and on the reallocation of claims (*i.e.*, risk transfers) to the country of ultimate risk.

³ The BIS has been collecting various sets of data on financial statistics and aligning with the requirement from time to time. Recent financial crisis underlined the need of a comprehensive database on global banking exposures. Among other financial statistics compiled by the BIS, the IBS presents a sketch of international exposure of banking system worldwide, covering role of banks in intermediating international flows, exposure of national banking system to country, liquidity and transfer risks, external debt owned by banks and importance of financial centres and offshore banking activity.

per cent in December 2012, whereas their international assets declined by 1.4 per cent. This is in contrast with the position observed during the financial year 2011-12. Business in India of such banks also recorded some deceleration in the quarter ended December 2012.

- Globally, international banking business contracted throughout 2012.
- The growth in international liabilities is contributed mainly by NRE deposits and Foreign Currency borrowings and decline in international assets is due to substantial decline in NOSTRO balances.
- During 2012, increase in international liabilities was reflected in increase in exposure towards the USA, UK and UAE, whereas the decline in international assets was reflected towards the USA, Singapore, Hong Kong and France.
- As at end-December 2012, the US Dollar comprised the major component of international liabilities with a share of 80.5 per cent and for international assets the INR was the major component with a share of 57.0 per cent.
- The international claims of Indian banks, on immediate risk basis, on all other countries grew at a lower rate of 15.0 per cent as at end-December 2012 than 16.2 percent for the previous year. Out of total international claims, the exposure towards banking sector grew at 11.7 per cent and that towards non-bank sector grew at 16.8 per cent.
- The consolidated foreign claims on ultimate risk basis grew at 11.2 per cent at end-December 2012 compared to 15.4 per cent observed a year ago, the growth is reflected towards Hong Kong, UAE and Canada.
- The growth in consolidated foreign claims towards India was below that of BRICS nations put together till Q2:2012. However, the situation reversed in Q4:2012 when claims in India grew by 10.0 per cent which was higher than 6.8 per cent for BRICS nations.

International assets and liabilities of banks in all BIS reporting countries declined

1. Both international assets and liabilities of banks in all BIS reporting countries as seen from the Locational Banking Statistics (LBS) of the BIS (Table 1) continued to contract as at end-December 2012. The international exposures of the global banking system has been decelerating since March 2012 quarter after showing a low growth in the second half of 2011 reflecting higher risk perception.

International liabilities of Banks in India experienced an accelerated growth.

2. In order to provide greater flexibility to banks in India for mobilising non-resident deposits and in view of the prevailing market conditions, it was decided to deregulate interest rates on NRE and NRO deposits since December 2011⁵. This was reflected in an accelerated growth recorded in the international liabilities (based on LBS) since March 2012. The international liabilities grew by 25.5 per cent as at end-

Table 1: International Liabilities and Assets for All Reporting Countries based on Nationality⁴

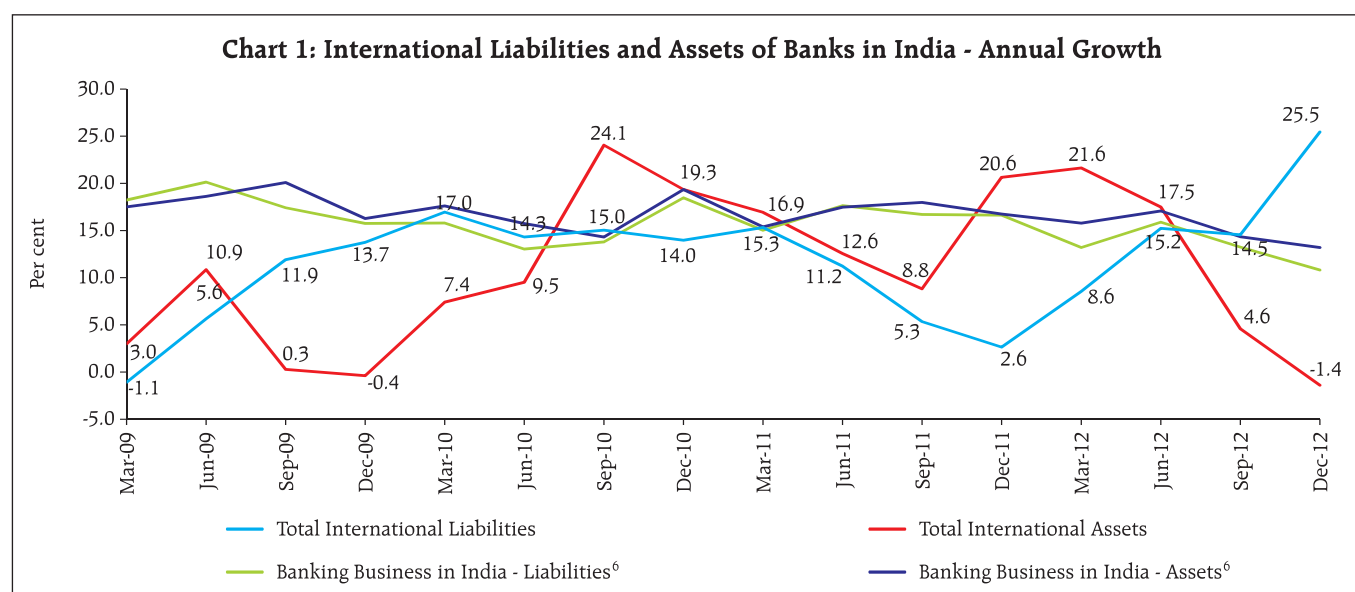
(Amount outstanding in US\$ Trillion)

Year-Qrt	Liabilities on all sectors		Claims/ assets to all sectors	
2009-Q1	32.26	(-17.4)	33.49	(-17.0)
2009-Q2	32.68	(-13.4)	34.16	(-12.7)
2009-Q3	32.98	(-9.0)	34.49	(-8.1)
2009-Q4	32.35	(-4.8)	33.81	(-3.9)
2010-Q1	31.85	(-1.3)	33.39	(-0.3)
2010-Q2	31.03	(-5.0)	32.35	(-5.3)
2010-Q3	33.42	(1.3)	34.84	(1.0)
2010-Q4	32.82	(1.4)	33.98	(0.5)
2011-Q1	34.29	(7.7)	35.36	(5.9)
2011-Q2	34.54	(11.3)	35.68	(10.3)
2011-Q3	34.81	(4.2)	35.79	(2.7)
2011-Q4	33.42	(1.8)	34.20	(0.7)
2012-Q1	34.07	(-0.7)	34.81	(-1.5)
2012-Q2	32.97	(-4.5)	33.44	(-6.3)
2012-Q3	33.41	(-4.0)	33.93	(-5.2)
2012-Q4	32.96	(-1.4)	33.54	(-1.9)

Note: 1. Data as reported under Locational Banking Statistics to the BIS by all reporting countries.

2. The figures in parenthesis denote annual growth rates.

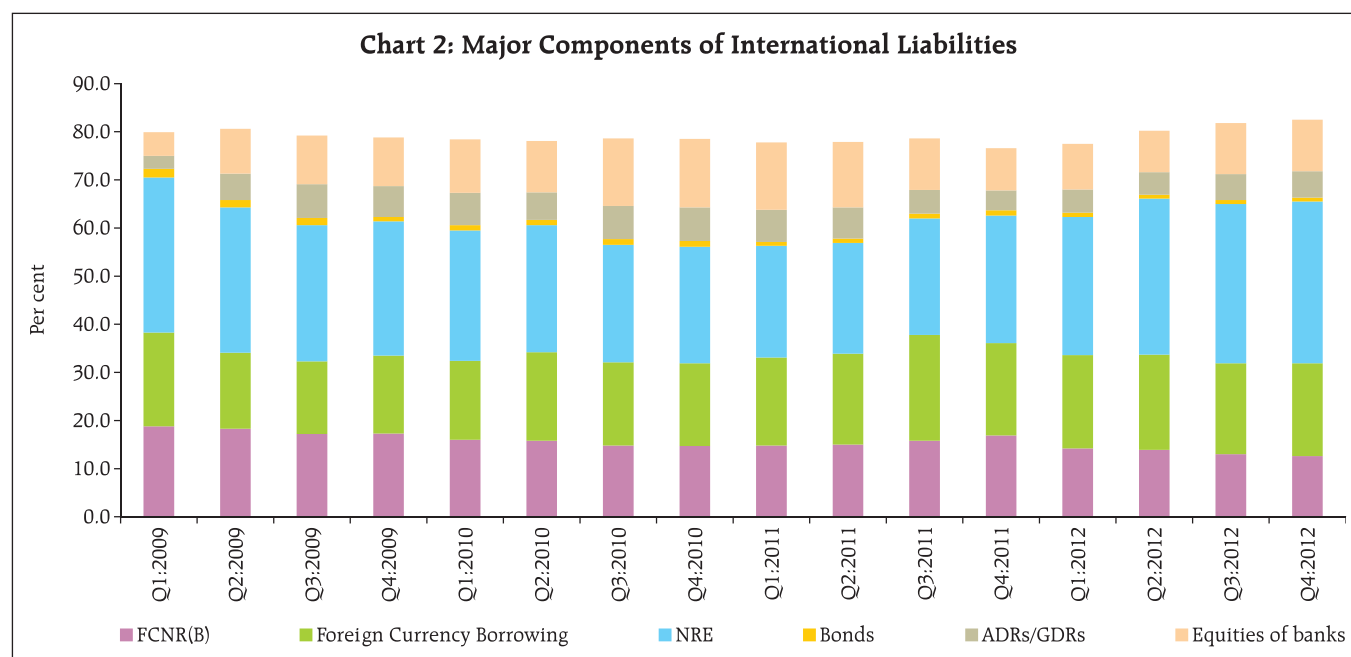
December 2012 as compared with a moderate growth of 8.6 per cent for March 2012.



⁴ The data on total international assets and total international liabilities for the banks in all BIS reporting countries is based on the Locational Banking Statistics by Nationality as obtained from the BIS website www.bis.org.

⁵ DBOD, RBI Circular on 'Deregulation of Interest Rates on Non-Resident (External) Rupee Deposits and Ordinary Non-Resident (NRO) Accounts' dated December 16, 2011 and 'Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits' dated November 23, 2011.

⁶ Data based on items reported under the fortnightly Form 'A' (section 42) return by all Scheduled Commercial Banks. Data pertain to the last reporting Friday for March and for last Friday for other quarters.



3. International/cross border assets based on the LBS of the Indian banking system decelerated since March 2012. The international assets declined by 1.4 per cent at end of December 2012 (Chart 1) as compared with a growth rate of 21.6 per cent in March 2012. The decline observed in the international exposures during the period may reflect lower demand for such credit and also a cautious attitude of the banks towards international exposures.

NRE deposits surged while, FCNR(B) deposits stagnated

4. Outstanding non-resident external rupee deposits, at end-December 2012 grew by more than 50 per cent from the position a year ago (Chart 2). The share of the NRE deposits in the international liabilities increased from 26.5 per cent to 33.6 per cent during the period.

5. In spite of the increase in the interest rates on FCNR(B) deposits effective November 23, 2011, the deposits failed to pick up at end-December 2012 over the previous year, however, the deposits were higher as compared to the previous quarter.

6. The investment by non-residents in the ADRs/GDRs and equities of banks also picked up at end-December 2012, boosting up the overall growth of the international liabilities. Consequently, the share of the

'Other international liabilities' increased to 22.0 per cent from 18.7 per cent a year ago.

Increase in long-term debt was led mainly by NRI deposits and commercial borrowings

7. The surge in the NRE deposits observed since Q1:2012 led to increase in the long-term external debt (Table 2) of India.

Table 2 : Composition of India's External debt

(US \$ Billion)

Components	Amount outstanding (As at end)							
	Mar-2011	Jun-2011	Sep-2011	Dec-2011	Mar-2012	Jun-2012	Sep-12	Dec-12
Long-term debt	241.14 (78.8)	248.42 (78.4)	252.40 (77.9)	256.90 (76.7)	267.31 (77.4)	268.61 (77.0)	280.88 (76.8)	284.41 (75.6)
Out of which								
External Commercial Borrowings	88.75 (29.0)	93.35 (29.5)	96.78 (29.9)	100.09 (29.9)	104.84 (30.3)	104.29 (29.9)	108.82 (29.8)	112.97 (30.0)
NRI Deposits	51.68 (16.9)	52.90 (16.7)	52.50 (16.2)	52.50 (15.7)	58.61 (17.0)	60.87 (17.4)	67.02 (18.3)	67.59 (18.0)
Short-term debt	64.99 (21.2)	68.47 (21.6)	71.53 (22.1)	78.05 (23.3)	78.18 (22.6)	80.45 (23.0)	84.66 (23.2)	91.88 (24.4)
Total External Debt	306.13 (100.0)	316.90 (100.0)	323.93 (100.0)	334.95 (100.0)	345.48 (100.0)	349.06 (100.0)	365.55 (100.0)	376.29 (100.0)

Source: Ministry of Finance, Dept. of Economics Affairs, External Debt Management Unit (www.finmin.nic.in)

Notes: Figures in parenthesis Represent Percentage to Total External Debt.

8. The other component for increase in the external debt is external commercial borrowings which includes the foreign currency (FC) borrowings by the banking sector. The total FC borrowings by the banking sector have seen an increase of 25.9 per cent at end-December 2012 after a decline of 1.8 per cent in the previous quarter.

NOSTRO balances declined

9. The substantial decline of 23.1 per cent in the NOSTRO balances at end-December 2012, over last December, pushed down the international assets in spite of the moderate increase of around 8.0 per cent in loans to non-residents and outstanding exports bills (Chart 3).

10. The largest component of the international assets, viz., 'foreign currency loans to residents', registered a low growth of 2.0 per cent during the period.

11. Consequent on huge increase in the NOSTRO balances at end of Q1:2012 from the previous quarter, its share in the international assets had increased to a high of 24.7 per cent, but it declined to 17.3 per cent at end of Q4:2012. Correspondingly, the share of the FC loans to residents, the largest component, increased

to 51.2 per cent after a dip to 47.2 per cent at end of Q1:2012.

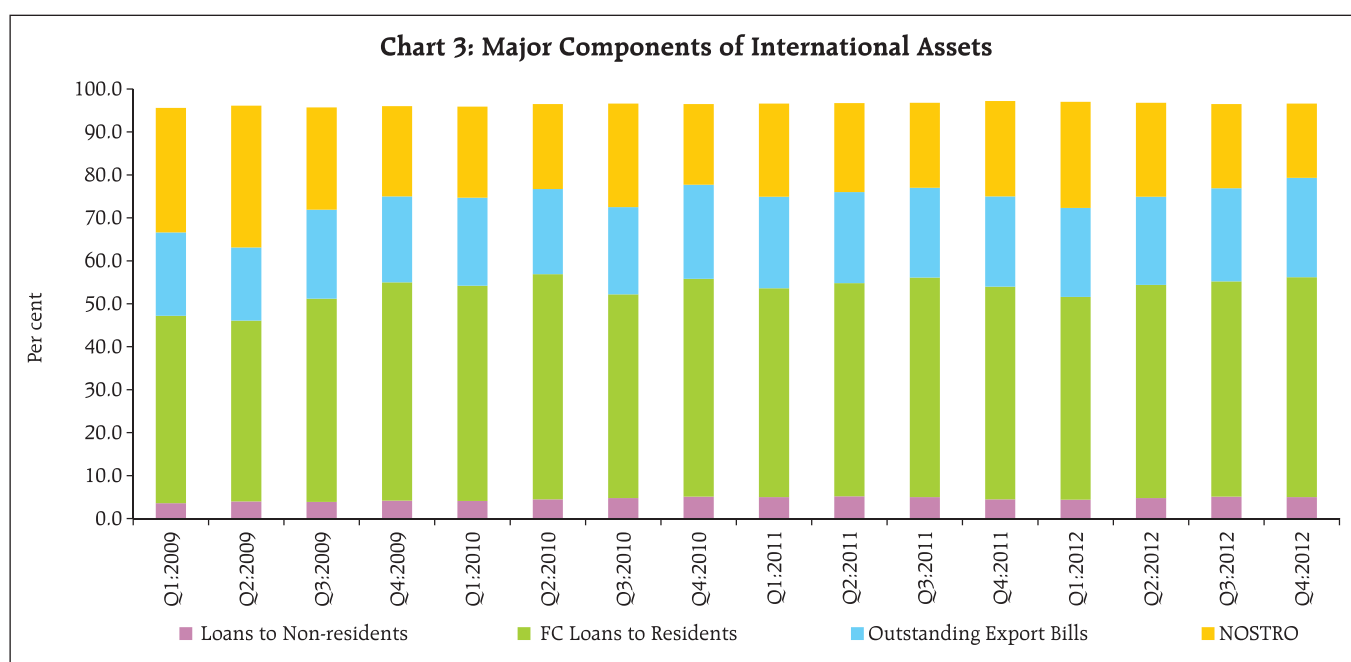
Currency composition for international assets remained unchanged while share of INR marginally increased in international liabilities

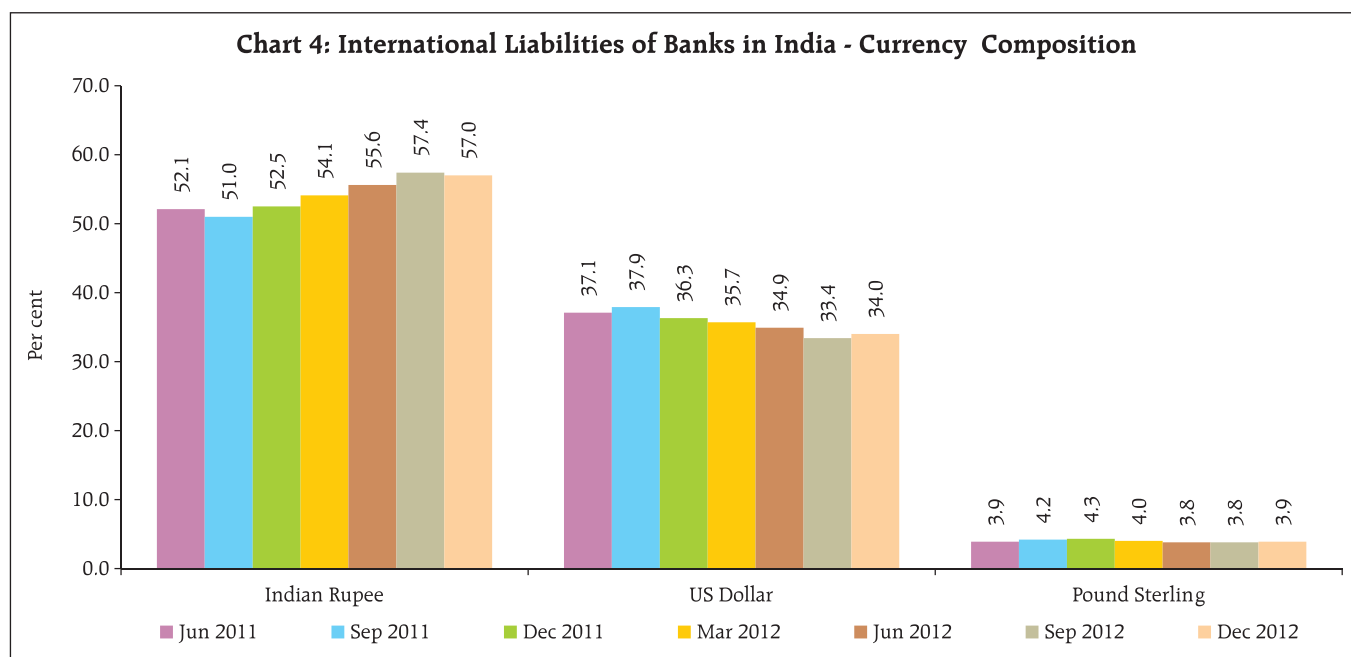
12. The currency composition of the international assets remained more or less unchanged since June 2012 (Chart 5). US Dollar being the major component had a share of 80.5 per cent at end-December 2012.

13. On account of the steady and substantial increase in the NRE deposits since end-March 2012, the share of the INR in the international liabilities went up to 57.0 per cent at end-December 2012 from 52.5 per cent a year ago (Chart 4).

International liabilities towards non-bank sector recorded high growth

14. Owing to the increase in the non-resident deposits since March 2012, the exposure towards non-bank sector rose by 26.6 per cent at end-December 2012. However, the share of the non-bank sector in the international liabilities remained unchanged around 74.0 per cent since December 2011.

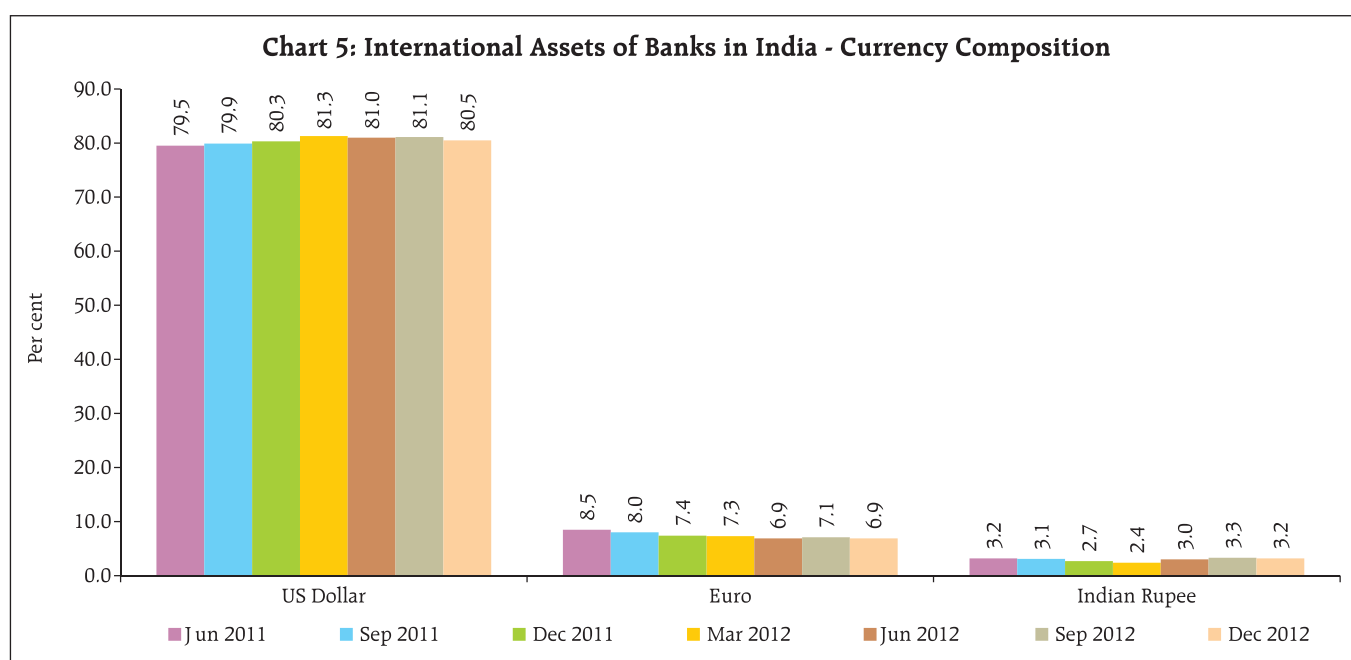


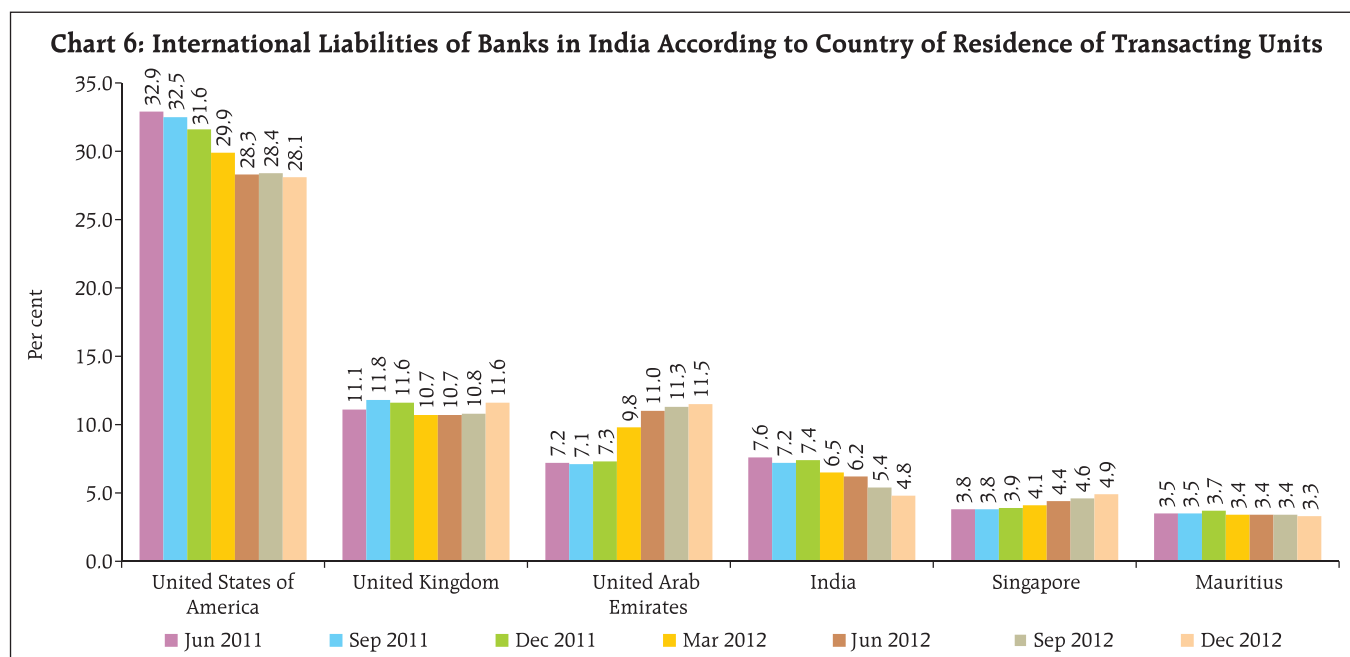


15. At end-December 2012, the international assets towards the non-bank sector grew by 5.2 per cent as against a decline of 1.4 per cent in total international assets. Correspondingly, the share of non-bank sector in the international assets has gone up to 69.5 per cent from 65.1 per cent a year ago.

Share of International liabilities towards UAE went up

16. The overall increase in the international liabilities is reflected in the country-wise exposures of the international liabilities for the period of 2012. At end-December 2012, the exposure towards almost all

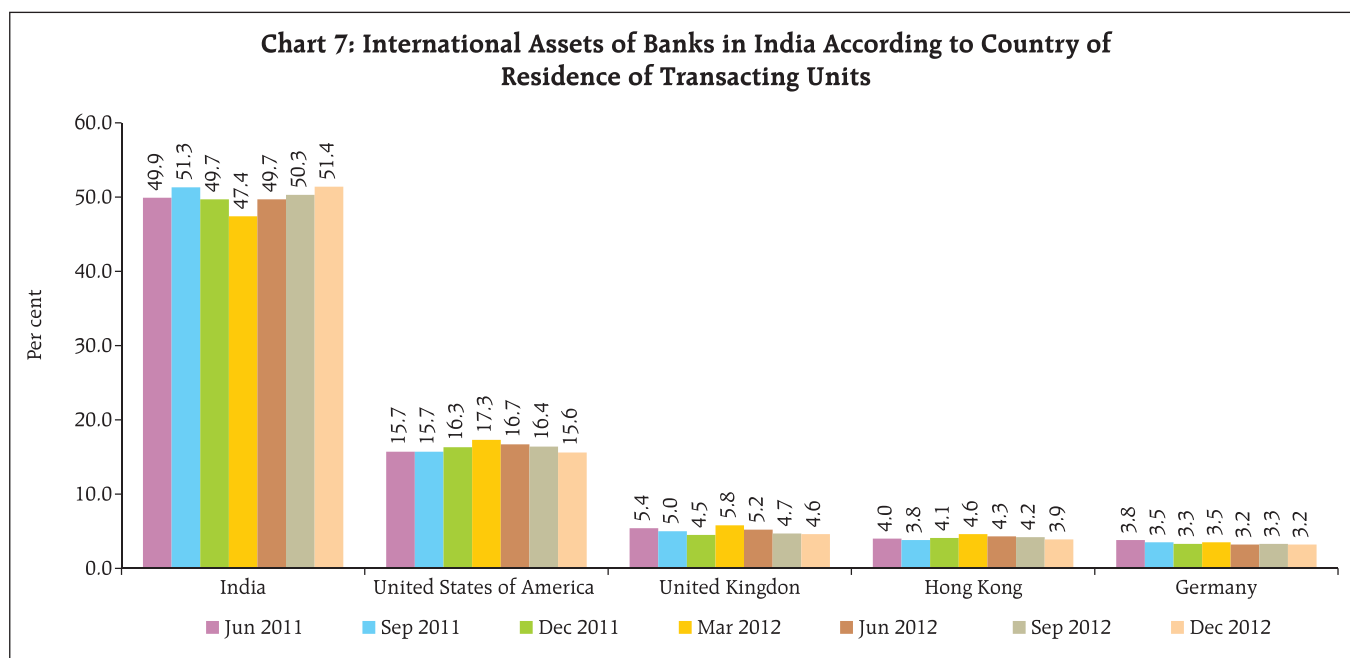




countries except Germany has seen a rise from the December 2011 level. The share of the exposure towards UAE rose to 11.5 per cent from 7.3 per cent at end-December 2011 (Chart 6), on account of higher mobilisation on NRE deposits, while that towards USA declined to 28.1 per cent from 31.6 per cent during the period.

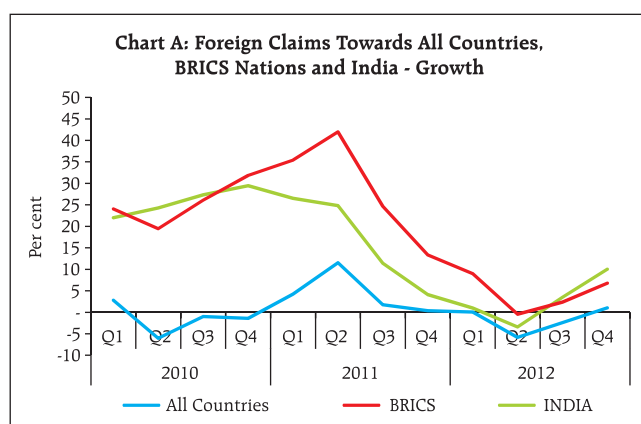
Decline in the overall NOSTRO balances distributed across all countries

17. At end-December 2012, the overall decline in the international assets is reflected in the exposures towards USA, Singapore, Hong Kong, Germany and France (Chart 7). The decline in the exposures towards



Box: Foreign Claims on BRICS Nations – Position of India in December 2012

Continuing the trends observed during 2012, the consolidated foreign claims towards all countries, based on data reported to the BIS, grew at meagre 1.0 per cent in December 2012 quarter. However, the claims on BRICS (Brazil, Russia, India, China and South Africa) nations had a moderate growth during 2012 except for June 2012 quarter when the claims declined by 0.4 per cent. Since Q3:2010, the growth in claims towards India was below the growth for BRICS together and it continued till Q2:2012. However, the situation reversed in Q4:2012 when claims on India grew by 10.0 per cent, which was higher than 6.8 per cent for BRICS nations (Chart A).

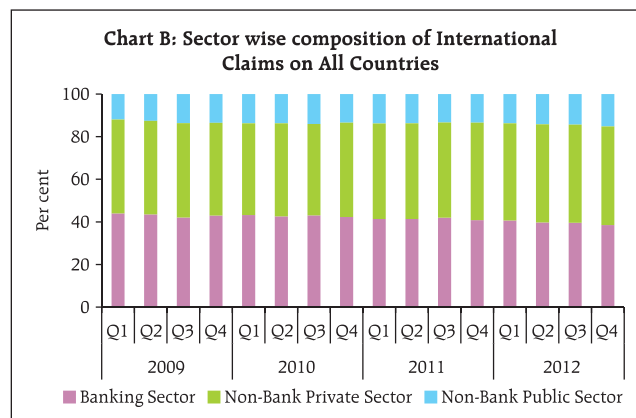


The share of the foreign claims towards India at 1.1 per cent for December 2012 quarter put India at third position among the BRICS countries after China and Brazil.

The international claims for all countries towards banking and non-bank private sector had an equal share of about 44.0 per cent for March 2009 quarter. However, the share of claims on banking sector reduced to 38.5 per cent and that towards non-bank private sector

these countries is on account of the decline in the NOSTRO balances with the banking sector of these countries.

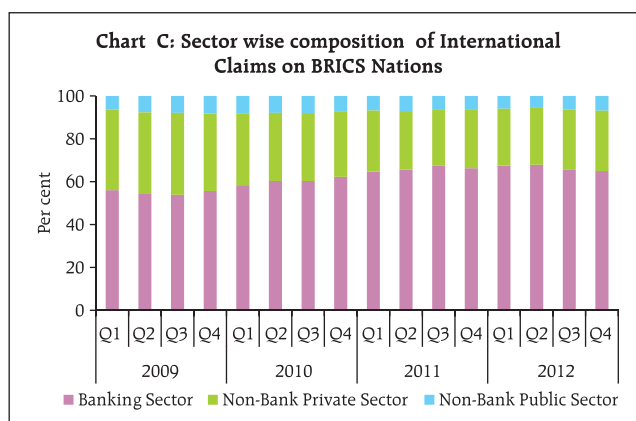
18. During the period, the exposure towards UK and UAE has increased. While the NOSTRO balances held with banking sector of UK has declined during the



increased to 46.3 per cent at end-December 2012 (Chart B).

In contrast, the share of international claims on BRICS nations towards banking sector has gone up to 65.0 per cent at end-December 2012 from 56.0 per cent for March 2009 quarter (Chart C).

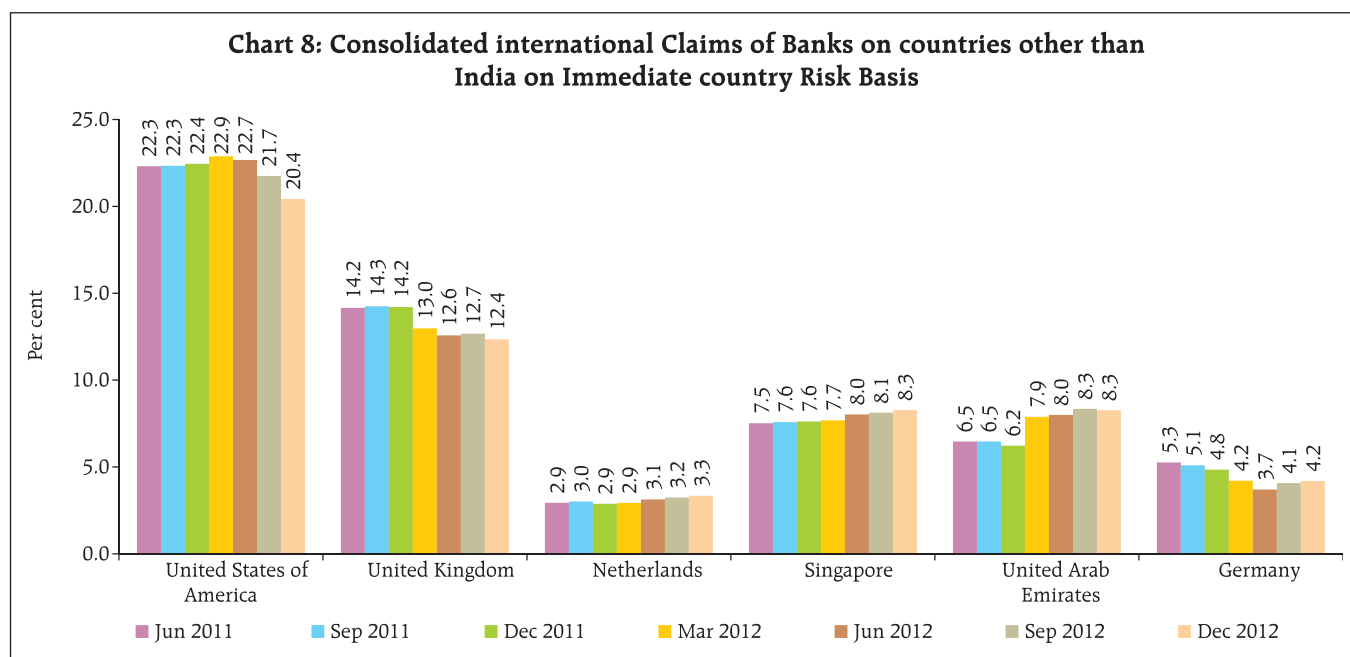
The share of international claims on India's banking sector has moderately increased to 37.2 per cent at end-December 2012 from 34.4 per cent. This share has been lower as compared with the exposure towards banking sector of BRICS nations for the period 2009-2012.



period, the increase in the exposures towards UAE is accounted to the outstanding exports bills.

Share of UAE in international claims on immediate risk basis increased

19. The international claims of Indian banks, on immediate risk basis, based on Consolidated Banking



Statistics (CBS), on all other countries grew at a slightly lower rate of 15.0 per cent at end-December 2012 than 16.2 per cent in the previous year.

20. At end-December 2012, as compared with the growth in total international claims, growth rate of international claims on banking sector was lower at 11.7 per cent while that on non-banking private sector was higher at 16.8 per cent.

21. At end-December 2012, the share of the international claims towards USA and UK declined (Chart 8). The claims on UAE have seen a substantial rise during 2012 and its share rose to 8.3 per cent in December 2012 from around 6.5 per cent observed for all the quarters in 2011.

22. The foreign claims of BIS reporting countries on India on immediate risk basis grew at a higher rate of 10.0 per cent at end-December 2012 than 4.2 per cent observed in December 2011.

Higher consolidated foreign claims on ultimate risk basis for select countries

23. The consolidated foreign claims on ultimate risk basis grew at 11.2 per cent at end-December 2012 compared to 15.4 per cent observed a year ago. The foreign claims towards Hong Kong, UAE and Canada increased over the previous year with corresponding increase in the shares towards these countries. The foreign claims towards USA registered marginal increase, but its share declined.

24. The contingent claims on ultimate risk basis arising from derivatives, at end-December 2012, grew at a higher rate of 18.7 per cent than 8.0 per cent observed an year ago.

25. The contingent claims on ultimate risk basis, arising out of guarantees and credit commitments, also grew at a higher rate than the previous year.