

PRESS RELEASE



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International Investment Position of India as at the end of March 2007

The International Investment Position (IIP), compiled at the end of a specific period such as end-March, is the statement of the stock of external financial assets and liabilities of a country. The financial assets consist of the country's financial claims on non-residents and financial liabilities consist of the country's financial liabilities to non-residents. These transactions are classified according to institutional resident sectors, namely, monetary authority, government, banks, and other sectors (includes corporate sector). The net international investment position (the stock of external assets less the stock of external liabilities) shows the difference between what an economy owns in relation to what it owes.

As per the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF), data on IIP are to be disseminated on annual basis (quarterly encouraged) with a time lag of two quarters. In India, the IIP is disseminated on annual basis, i.e., as at end-March with in two quarters lag (by end-September). The IIP of India as at end-March 2006 was last released on September 29, 2006. Further, since the quarter end-June 2006 onwards, the IIP of India are being released on quarterly basis with a lag of less than two quarters. The IIP of India as at end-December, 2006 was published on June 27, 2007.

The annual IIP of India as at end-March 2007 has been compiled now and the major highlights are summarized below:

I. Overall International Investment Position

- (1) The net IIP (Assets – Liabilities) of India has improved by around US\$ 2.68 billion to US\$ -45.33 billion as at end-March 2007 from a level of US\$ -48.01 billion as at end-March 2006 (Table I).
- (2) Among external financial assets, the Reserve Assets registered an increase of around US\$ 47.56 billion as at end-March 2007 over the end-March 2006, followed by the Direct Investment Abroad, which had witnessed an increase of around US \$ 11 billion during the same period.

Table I. Overall International Investment Position

(in US \$ billion)							
Period	Mar. 04 (R)	Mar. 05 (PR)	Mar. 06 (PR)	Jun. 06 (PR)	Sep. 06 (PR)	Dec. 06 (PR)	Mar. 07 (P)
Net IIP	-47.17	-43.00	-48.01	-45.56	-48.58	-45.26	-45.33
A. Assets	136.00	166.84	182.78	191.33	197.22	222.43	243.60
1. Direct Investment	7.76	10.03	12.96	14.09	15.25	21.64	23.97
2. Portfolio Investment	0.38	0.47	0.97	0.76	0.87	0.85	0.79
2.1 Equity Securities	0.18	0.24	0.50	0.33	0.38	0.39	0.38
2.2 Debt Securities	0.20	0.23	0.47	0.43	0.49	0.46	0.41
3. Other Investment	14.90	14.82	17.23	13.57	15.79	22.69	19.66
3.1 Trade Credits	0.54	1.08	-0.29	-0.67	-0.72	2.06	2.50
3.2 Loans	1.77	1.86	2.58	1.63	2.30	3.66	2.63
3.3 Currency & Deposits	9.53	8.45	11.62	9.29	10.76	13.31	10.31
3.4 Other Assets	3.06	3.43	3.31	3.32	3.45	3.66	4.22
4. Reserve Assets	112.96	141.51	151.62	162.91	165.31	177.25	199.18
B. Liabilities	183.17	209.84	230.79	236.88	245.80	267.69	288.93
1. Direct Investment	38.18	44.50	51.14	52.14	55.81	66.40	72.33
2. Portfolio Investment	43.68	55.69	64.63	64.67	67.45	73.62	80.25
2.1 Equity Securities	33.93	43.16	54.74	52.47	54.78	59.99	63.27
2.2 Debt securities	9.75	12.53	9.89	12.21	12.68	13.64	16.98
3. Other Investment	101.30	109.65	115.03	120.08	122.53	127.66	136.35
3.1 Trade Credits	6.28	9.56	10.51	10.91	12.41	11.75	13.71
3.2 Loans	61.87	65.27	67.77	70.30	71.73	75.61	81.09
3.3 Currency & Deposits	32.18	33.64	36.16	38.19	37.50	39.37	40.68
3.4 Other Liabilities	0.98	1.19	0.60	0.68	0.89	0.93	0.87

Note- R: Revised; PR: Partially revised; P: Provisional; [figures in the Table have been compiled based on IIP estimates in terms of US \$ Million]

- (3) Total Reserve Assets as at end-March, 2007 exceeded the entire external debt (US \$ 155.03 billion at the same reference period) by around US \$ 44.15 billion.
- (4) As regards external financial liabilities, the Direct investment and Portfolio investment in India grew by around US \$ 21.19 billion and US \$ 15.62 billion respectively, at end-March 2007 on year-to-year basis. Also, 'Other investment' in India increased to US \$ 136.35 billion as at end-March 2007 from a level of US \$ 115.03 billion as at end-March 2006 due to corresponding increase in 'Loan' component of 'Other investment'.

II. Ratios of External Financial Assets and Liabilities to Gross Domestic Products (GDP at current prices)

- (1) The ratio of net IIP of India to GDP (at current price) has improved from -6.59 per cent as at end-March 2006 to -5.28 per cent as at end-March 2007 (Table II).
- (2) The ratio of total external financial assets to GDP (at current prices) has witnessed an improvement over end-March 2006 position and was at 28.37 per cent as at end-March 2007. The Reserve Assets to GDP ratio has increased from 20.8 per cent as at end-March 2006 to 23.2 per cent as at end-March 2007.

- (3) The ratio of total external financial liabilities to GDP remained between 31 and 34 per cent during the period under review, i.e., from end-March 2004 to end-March 2007 and was at 33.65 per cent as at end-March 2007.

Table II. Ratios of External financial Assets and Liabilities to Gross Domestic Products (GDP at current prices)

(in per cent)

Period	March 04 (R)	March 05 (PR)	March 06 (PR)	March 07 (P)
Net IIP (Assets - Liabilities)	-8.04	-6.59	-6.59	-5.28
A. Assets	23.18	25.56	25.08	28.37
1. Direct Investment	1.32	1.54	1.78	2.79
2. Portfolio Investment	0.06	0.07	0.13	0.09
2.1 Equity Securities	0.03	0.04	0.07	0.04
2.2 Debt Securities	0.03	0.03	0.07	0.05
3. Other Investment	2.54	2.27	2.36	2.29
3.1 Trade Credits	0.09	0.17	-0.04	0.29
3.2 Loans	0.30	0.29	0.35	0.31
3.3 Currency & Deposits	1.62	1.29	1.59	1.20
3.4 Other Assets	0.52	0.53	0.45	0.49
4. Reserve Assets	19.25	21.68	20.80	23.20
B. Liabilities	31.21	32.15	31.67	33.65
1. Direct Investment	6.51	6.82	7.02	8.42
2. Portfolio Investment	7.44	8.53	8.87	9.35
2.1 Equity Securities	5.78	6.61	7.51	7.37
2.2 Debt securities	1.66	1.92	1.36	1.98
3. Other Investment	17.26	16.80	15.78	15.88
3.1 Trade Credits	1.07	1.46	1.44	1.60
3.2 Loans	10.54	10.00	9.30	9.44
3.3 Currency & Deposits	5.48	5.15	4.96	4.74
3.4 Other Liabilities	0.17	0.18	0.08	0.10

Note- R: Revised; PR: Partially revised; P: Provisional; [figures in the Table have been compiled

based on IIP estimates in terms of US \$ Million]

- (4) Among the external financial liabilities components, the ratio of Portfolio Investment to GDP increased from 7.44 per cent at end-March 2004 to 9.35 per cent at end-March 2007. Further, while the ratio of Direct Investment to GDP has witnessed an increasing trend throughout the review period, the ratio of Other Investment to GDP has decreased gradually, though it has increased marginally to 15.88 per cent as at end-March 2007 from 15.78 per cent at end-March 2006.

III. Composition of External Financial Assets and Liabilities

- (1) The major part of country's external financial assets is in the form of Reserve Assets followed by Direct Investment Abroad and Other Investment (Table III). The share of Reserve Assets increased from 82.95 per cent at end-March 2006 to 85.15 per cent at end-June 2006 and subsequently declined to 79.69 per cent at end-December 2006 before again increasing to 81.77 per cent at end-March 2007.

Table III. Composition of External Financial Assets and Liabilities

(In per cent)							
Period	Mar. 04 (R)	Mar. 05 (PR)	Mar. 06 (PR)	Jun. 06 (PR)	Sep. 06 (PR)	Dec. 06 (PR)	Mar. 07 (P)
A. Assets							
1. Direct Investment	5.71	6.01	7.09	7.36	7.73	9.73	9.84
2. Portfolio Investment	0.28	0.28	0.53	0.40	0.44	0.38	0.32
3. Other Investment	10.96	8.88	9.43	7.09	8.01	10.20	8.07
4. Reserve Assets	83.06	84.82	82.95	85.15	83.82	79.69	81.77
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
B. Liabilities							
1. Direct Investment	20.84	21.21	22.16	22.01	22.71	24.80	25.03
2. Portfolio Investment	23.85	26.54	28.00	27.30	27.44	27.50	27.77
3. Other Investment	55.30	52.25	49.84	50.69	49.85	47.69	47.19
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note- R: Revised; PR: Partially revised; P: Provisional; [figures in the Table have been compiled based on IIP estimates in terms of US \$ Million]

- (2) As at end-March 2007, around 47.19 per cent of the country's external financial liabilities were in the nature of Other Investments, i.e. trade credits, loans, currency & deposits and other liabilities, followed by Portfolio investment at 27.8 per cent and Direct investment at 25 per cent. Further, in the total external financial liabilities of the country, loan and 'currency & deposits' were having 28.1 per cent and 14.1 per cent share respectively whereas trade credit had accounted for around 4.7 per cent share as at end-March 2007.

IV. External Debt Liabilities vis-à-vis External Non-Debt Liabilities

The share of non-debt liabilities to total external financial liabilities has increased continuously from 39.37 per cent as at end-March 2004 to 47.21 per cent as at end-December 2006. However, the same has marginally decreased to 46.93 per cent as at end-March 2007.

Table IV. Share of External Debt and Non-Debt Liabilities

(in per cent)							
Period	Mar. 04 (R)	Mar. 05 (PR)	Mar. 06 (PR)	Jun. 06 (PR)	Sep. 06 (PR)	Dec. 06 (PR)	Mar. 07 (P)
Non-Debt Liabilities	39.37	41.77	45.88	44.16	44.99	47.21	46.93
Debt Liabilities	60.63	58.23	54.12	55.84	55.01	52.79	53.07
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note- R: Revised; PR: Partially revised; P: Provisional; [figures in the Table have been compiled based on IIP estimates in terms of US \$ Million]

Alpana Killawala
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