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India's International Investment Position (IIP), September 2012

[International Investment Position \(IIP\)](#) is a statistical statement that shows, at a point in time, the value and the composition of (a) financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets; and (b) liabilities of residents of an economy to non-residents. The difference between an economy's external financial assets and liabilities is its net IIP, which may be positive or negative. Such balance sheet analysis of international accounts helps in understanding sustainability and vulnerability and is useful for analysing economic structure, studying the relationship to domestic sources of financing and other policy considerations. Following are the highlights of IIP for the [quarter-ended September 2012](#):

I. Overall International Investment Position

(a) Quarterly Variations:

- Net claims of non-residents on India (as reflected by the Net IIP, i.e. International financial assets abroad less International financial liabilities) increased by US\$ 47.7 billion over the previous quarter to US\$ 271.5 billion as at end-September 2012, mainly on account of US\$ 55.6 billion increase in liabilities (Table 1). The changes in IIP also reflect the valuation changes emanating from exchange rate movements.
- The Indian residents' financial assets abroad stood at US\$ 441.7 billion as at end-September 2012 recording an increase of US\$ 8.0 billion over previous quarter. Reserve assets, which remained the major component of international financial assets, raised by US\$ 5.1 billion to US\$ 294.8 billion at end-September 2012. Direct investment abroad moved up by US\$ 1.4 billion during the quarter to US\$ 115.8 billion as at end-September 2012.
- The International financial liabilities increased by US\$ 55.6 billion over the previous quarter to US\$ 713.2 billion as at end-September 2012. Direct and portfolio investments in India increased by US\$ 24.4 billion and US\$ 17.1 billion, respectively. Among other investments liabilities, currency and deposits (mainly NRI deposits), trade credit, and loan (mainly ECB) increased by US\$6.1 billion, US\$4.1 billion and US\$ 3.7 billion, respectively.
- Equity liabilities in US\$ term has gone up by US\$ 39.0 billion (US\$ 23.8 billion in Direct investment and US\$ 15.2 billion in Portfolio investment). Due to rupee appreciation during end-June 2012 to end-September 2012 equity liabilities in US\$ term revised upwards by US\$ 21.0 billion (US\$ 13.4 billion in Direct investment and US\$ 7.6 billion in Portfolio investment).

- The ratio of India's international financial assets to international financial liabilities decreased to 61.9 per cent in September 2012 (66.0 per cent in June 2012).

(b) Annual Variations

- International financial assets abroad declined by US\$ 11.0 billion on a year-on-year basis (Table 1). Among the external financial assets, direct investment abroad observed consistent upward movement during last one year and moved up by US\$ 8.2 billion on a year-on-year basis; in contrast, reserve assets declined by US\$ 16.7 billion.
- International financial liabilities increased by US\$ 58.1 billion on a year-on-year basis to US\$ 713.2 billion as at end-September 2012. Both Direct investment and Portfolio Investment in India increased by US\$ 13.1 billion and US\$ 9.5 billion respectively. The other investment liabilities in the form of trade credit, loan and currency and deposits increased by US\$ 35.5 billion.
- As a result of the above changes in external assets and liabilities, net claims of non-residents on India increased by US\$ 69.1 billion as at end-September 2012, on a year-on-year basis.
- The ratio of India's international financial assets to international financial liabilities declined from 69.1 per cent in September 2011 to 61.9 per cent in September 2012.

II. Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (66.7 per cent) in India's international financial assets in September 2012, followed by direct investment abroad (26.2 per cent) (Table 2).
- Direct Investment (with share of 32.2 per cent), Portfolio Investment (23.2 per cent), loans (mainly ECBs) (23.0 per cent) were the major constituents of the country's financial liabilities. The other component of liabilities viz. trade credit and currency and deposits contributed to 10.8 and 9.4 per cent of country's financial liabilities.

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

- Due to faster growth in net equity inflow compared with other international financial liabilities in September 2012 the share of non-debt liabilities increased to 48.5 per cent as at end- September 2012 from 46.6 percent at end June 2012 (Table 3).

As per the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF), data on IIP are to be disseminated on an annual basis with a time lag of two quarters (quarterly dissemination encouraged with one quarter's lag). India's quarterly IIP are being disseminated with one quarter lag and the last quarterly IIP as at end-June 2012 was put in public domain on September 28, 2012.

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Sep-11 (PR)	Dec-11 (PR)	Mar-12 (PR)	Jun-12 (PR)	Sep-12 (P)
Net IIP	-202.4	-208.8	-248.4	-223.8	-271.5
A. Assets	452.7	432.0	437.8	433.7	441.7
1. Direct Investment	107.6	109.5	112.4	114.4	115.8
2. Portfolio Investment	1.5	1.5	1.5	1.5	1.5
2.1 Equity Securities	1.5	1.5	1.5	1.5	1.5
2.2 Debt Securities	0.0	0.0	0.0	0.0	0.0
3. Other Investment	32.1	24.3	29.5	28.2	29.7
3.1 Trade Credits	10.4	1.4	0.0	4.9	5.6
3.2 Loans	4.4	5.0	6.1	3.8	3.8
3.3 Currency & Deposits	7.7	7.5	11.8	7.5	8.4
3.4 Other Assets	9.6	10.5	11.7	12.0	11.9
4. Reserve Assets	311.5	296.7	294.4	289.7	294.8
B. Liabilities	655.1	640.9	686.2	657.6	713.2
1. Direct Investment	216.9	206.5	222.3	205.6	230.0
2. Portfolio Investment	155.8	146.6	165.8	148.2	165.3
2.1 Equity Securities	121.2	109.7	125.3	110.5	125.7
2.2 Debt securities	34.6	36.9	40.5	37.7	39.7
3. Other Investment	282.4	287.7	298.1	303.7	317.9
3.1 Trade Credits	66.7	67.2	67.3	72.7	76.8
3.2 Loans	154.0	157.7	160.0	160.3	164.0
3.3 Currency & Deposits	52.4	52.6	58.8	61.1	67.2
3.4 Other Liabilities	9.3	10.2	12.0	9.6	10.0

PR: Partially revised

P: Provisional;

Note: 1. The sum of the constituent items may not add to the total due to rounding off.

Table 2: Composition of International Financial Assets and Liabilities of India

(per cent)

Period	Sep-11 (PR)	Dec-11 (PR)	Mar-12 (PR)	Jun-12 (PR)	Sep-12 (P)
A. Assets					
1. Direct Investment	23.8	25.4	25.7	26.4	26.2
2. Portfolio Investment	0.3	0.3	0.3	0.3	0.4
3. Other Investment	7.1	5.6	6.7	6.5	6.7
4. Reserve Assets	68.8	68.7	67.3	66.8	66.7
Total	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	33.1	32.2	32.4	31.3	32.2
2. Portfolio Investment	23.8	22.9	24.2	22.5	23.2
3. Other Investment	43.1	44.9	43.4	46.2	44.6
Total	100.0	100.0	100.0	100.0	100.0

PR: Partially revised

P: Provisional;

Table 3: Share of External Debt and Non-Debt Liabilities of India

(per cent)

Period	Sep-11 (PR)	Dec-11 (PR)	Mar-12 (PR)	Jun-12 (PR)	Sep-12 (P)
Non-Debt Liabilities	50.3	48.0	49.3	46.6	48.5
Debt Liabilities	49.7	52.0	50.7	53.4	51.5
Total	100.0	100.0	100.0	100.0	100.0

PR: Partially revised

P: Provisional;

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