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India's International Investment Position (IIP), September 2014¹

[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 is an important input for understanding external sustainability and vulnerability, and is also useful in analysing the economic structure.

The highlights of IIP for the [quarter-ended September 2014](#) are as follows:

- **Net claims of non-residents on India** (as reflected by the net IIP) increased by US\$ 6.8 billion over the previous quarter to US\$ 353.7 billion as at end-September 2014 (Table 1). This change in the net position reflected a US\$ 3.5 billion increase in the value of foreign-owned assets in India vis-à-vis a US\$ 3.3 billion decrease in the value of Indian Residents' financial assets abroad.
- **Indian residents' financial assets abroad** stood at US\$ 488.5 billion as at end-September 2014 showing a decrease of US\$ 3.3 billion over the previous quarter mainly due to a decrease of US\$ 2.3 billion in Reserve assets.
- **Foreign-owned assets in India** increased by US\$ 3.5 billion over the previous quarter to US\$ 842.1 billion mainly due to increase of US\$ 1.9 billion in direct investment in India and increase of US\$ 0.9 billion in portfolio investment in India. Among other investment liabilities, currency and deposits increased by US\$ 2.5 billion and loans (mainly external commercial borrowings) decreased by US\$ 0.9 billion.
- **Effects of Exchange Rate movement:** Variation in exchange rate of rupee vis-a-vis other currencies affected change in liabilities, when valued in US \$ terms. Even as there was equity inflow of US \$ 6.7 billion (net) during July-September 2014, outstanding liabilities declined by US\$ 2.9 billion, from US\$ 386.4 billion in June 2014 to US\$ 383.5 billion in September 2014, due to the revaluation of outstanding liabilities as a result of rupee depreciation during the period.
- **The ratio of India's international financial assets to international financial liabilities** stood at 58.0 per cent in September 2014 (58.6 per cent in June 2014).

Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (64.2 per cent) in India's international financial assets in September 2014, followed by direct investment abroad (26.5 per cent) (Table 2).

¹ India's quarterly IIP is being disseminated with one quarter lag and the previous quarterly IIP as at end-June 2014 was released on the RBI website on [September 30, 2014](#).

- Direct Investment (30.0 per cent), portfolio investment (24.4 per cent), loans (21.2 per cent), and currency and deposits (12.9 per cent) were the major constituents of the country's financial liabilities.

Debt Liabilities vis-à-vis Non-Debt Liabilities

- The share of non-debt liabilities decreased marginally to 45.5 per cent as at end-September 2014 from 46.1 per cent at end- June 2014 (Table 3).

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Sep-13(PR)	Dec-13(PR)	Mar-14(PR)	Jun-14(PR)	Sep-14(P)
Net IIP	-302.6	-318.6	-332.8	-346.9	-353.7
A. Assets	436.7	458.9	483.7	491.8	488.5
1. Direct Investment	120.1	119.8	128.7	128.8	129.3
2. Portfolio Investment	1.3	1.3	1.2	1.3	1.3
2.1 Equity Securities	1.2	1.2	1.0	0.9	0.9
2.2 Debt Securities	0.1	0.2	0.3	0.3	0.3
3. Other Investment	38.0	43.9	49.6	45.6	44.1
3.1 Trade Credits	8.2	10.9	8.7	8.3	7.5
3.2 Loans	5.7	5.6	6.9	5.1	5.1
3.3 Currency & Deposits	10.8	13.9	17.9	15.7	15.0
3.4 Other Assets	13.3	13.6	16.1	16.4	16.5
4. Reserve Assets	277.2	293.9	304.2	316.1	313.8
B. Liabilities	739.2	777.5	816.4	838.6	842.1
1. Direct Investment	218.1	226.6	242.7	250.4	252.3
2. Portfolio Investment	173.9	179.6	193.1	204.7	205.6
2.1 Equity Securities	124.3	132.4	139.7	147.1	142.7
2.2 Debt securities	49.6	47.2	53.5	57.5	63.0
3. Other Investment	347.2	371.4	380.6	383.6	384.2
3.1 Trade Credits	89.6	88.4	83.9	84.2	84.0
3.2 Loans	169.3	171.1	179.6	179.5	178.6
3.3 Currency & Deposits	75.2	98.8	104.0	106.4	108.9
3.4 Other Liabilities	13.1	13.1	13.0	13.4	12.8
Memo item: Assets to Liability Ratio (%)	59.1	59.0	59.2	58.6	58.0

R: Revised PR: Partially revised P: Provisional;

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-13(PR)	Dec-13(PR)	Mar-14(PR)	Jun-14(PR)	Sep-14(P)
A. Assets					
1. Direct Investment	27.5	26.1	26.6	26.2	26.5
2. Portfolio Investment	0.3	0.3	0.2	0.3	0.3
3. Other Investment	8.7	9.6	10.3	9.3	9.0
4. Reserve Assets	63.5	64.0	62.9	64.3	64.2
Assets/Liabilities	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	29.5	29.1	29.7	29.9	30.0
2. Portfolio Investment	23.5	23.1	23.7	24.4	24.4
3. Other Investment	47.0	47.8	46.6	45.7	45.6

Table 3: Share of External Debt and Non-Debt Liabilities of India
(per cent)

Period	Sep-13(PR)	Dec-13(PR)	Mar-14(PR)	Jun-14(PR)	Sep-14(P)
Non-Debt Liabilities	44.9	44.8	45.5	46.1	45.5
Debt Liabilities	55.1	55.2	54.5	53.9	54.5
Total	100.0	100.0	100.0	100.0	100.0

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