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India's Quarterly International Investment Position: December 2010

[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.

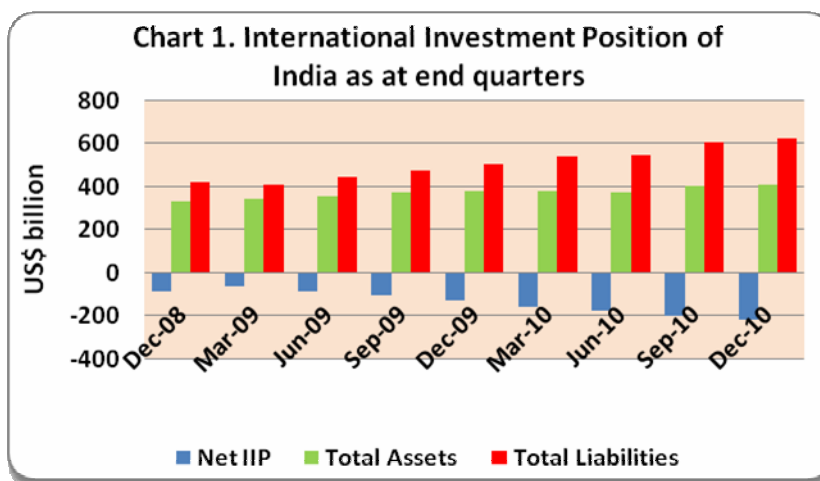
As per the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF), data on IIP are to be disseminated on an annual basis with a time lag of two quarters (quarterly encouraged with one quarter's lag). India's quarterly IIP was being disseminated with a lag of less than two quarters since June 2006 and, subsequently, the lag is reduced to one quarter since June 2009. The last quarterly IIP as at [end-September 2010](#) was put in public domain on December 31 2010.

Following are the highlights of IIP for the [quarter-ended December 2010](#):

I. Overall International Investment Position

(a) Quarterly Variations:

- ❖ Net claims of non-residents on India as reflected by the Net IIP (International financial assets less International financial liabilities) increased by US\$ 18.2 billion over the previous quarter to US\$ 221.1 billion as at end- December 2010, mainly due to increase in net inflow on account of direct and portfolio investments as well as external commercial borrowings (ECBs) (Table I).
- ❖ International financial assets stood at US\$ 407.5 billion as at end-December 2010 with increase of US\$ 4.6 billion over the previous quarter. Reserve assets, which remained the major source, increased by US\$ 4.5 billion to US\$ 297.3 billion at end-December 2010. Among other sources, Direct Investment abroad moved up by US\$ 3.2 billion during the quarter to US\$ 92.4 billion as at end-December 2010.

**Table I: Overall International Investment Position**

(US \$ billion)

Period	Dec-08 (R)	Mar-09 (PR)	Jun-09 (PR)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (P)
Net IIP	-86.9	-66.6	-89.6	-103.9	-127.1	-159.1	-175.4	-202.9	-221.1
A. Assets	333.0	344.7	356.3	374.5	380.7	380.3	375.0	402.9	407.5
1. Direct Investment	63.3	67.6	71.7	75.1	79.3	82.0	85.1	89.2	92.4
2. Portfolio Investment	0.6	1.2	1.2	1.2	1.1	0.9	1.0	1.1	1.1
2.1 Equity Securities	0.5	1.2	1.2	1.2	1.1	0.9	0.9	1.0	1.0
2.2 Debt Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Other Investment	13.2	24.0	18.2	17.0	16.8	18.4	13.2	19.8	16.7
3.1 Trade Credits	-5.3	0.9	-0.8	-2.4	-1.7	-2.3	-6.6	-5.5	-5.5
3.2 Loans	5.0	6.1	5.4	4.3	3.6	5.6	3.4	6.1	3.7
3.3 Currency & Deposits	6.6	10.2	6.8	8.0	7.7	7.7	7.9	10.3	9.2
3.4 Other Assets	6.9	6.7	6.8	7.1	7.2	7.4	8.6	8.8	9.3
4. Reserve Assets	256.0	252.0	265.1	281.3	283.5	279.1	275.7	292.9	297.3
B. Liabilities	420.0	411.3	445.9	478.4	507.8	539.5	550.3	605.9	628.6
1. Direct Investment	125.2	127.6	144.6	155.2	167.2	177.8	178.3	191.8	198.0
2. Portfolio Investment	91.6	83.2	95.9	106.0	117.2	134.0	135.3	164.1	171.7
2.1 Equity Securities	69.0	63.1	75.6	85.1	93.4	105.3	106.6	130.5	138.2
2.2 Debt securities	22.6	20.1	20.3	20.9	23.8	28.7	28.7	33.7	33.4
3. Other Investment	203.2	200.6	205.4	217.2	223.4	227.7	236.8	249.9	258.9
3.1 Trade Credits	44.5	41.8	40.6	41.9	45.1	49.5	53.7	56.4	59.4
3.2 Loans	114.8	113.8	116.7	120.7	122.0	121.6	126.6	134.6	140.1
3.3 Currency & Deposits	41.1	42.3	45.4	46.7	48.2	48.6	48.8	50.5	51.4
3.4 Other Liabilities	2.8	2.6	2.8	8.0	8.2	8.0	7.8	8.4	8.0

R: Revised

PR: Partially revised

P: Provisional;

Note- Where necessary, each figure has been rounded off to the nearest final digit. For this reason, in some tables, the sum of the constituent items may not add to the total.

- ❖ International financial liabilities increased by US\$ 22.7 billion over the previous quarter to US\$ 628.6 billion as at end-December 2010. Direct and portfolio investments in India increased by US\$ 6.1 billion and US\$ 7.5

billion, respectively and among other investments, trade credit and loans (mainly ECBs) increased by US\$ 3.0 billion and US\$ 5.6 billion respectively.

- ❖ The declining trend in the ratio of India's international financial assets to international financial liabilities continued during the latest quarter and the ratio stood at 64.8 per cent in December 2010 (66.5 per cent by September 2010).

(b) Annual Variations

- ❖ The net claims of non-residents on India increased by US\$ 94.0 billion as at end-December 2010, on a year-on-year basis, primarily due to increase in net inflow of direct and portfolio investment as well as ECBs (Table I).
- ❖ International financial assets increased by US\$ 26.8 billion as at end-December 2010 on a year-on-year basis. Among the sources of external financial assets, direct investment abroad and reserve assets moved up by US\$ 13.2 billion and US\$ 13.9 billion respectively. Among other sources, currency & deposits recorded a marginal increase of US\$ 1.5 billion.
- ❖ International financial liabilities surged by US\$ 120.7 billion on a year-on-year basis to US\$ 628.6 billion as at end-December 2010. Direct and portfolio investment in India increased by US\$ 30.7 billion and US\$ 54.4 billion respectively. Among other liabilities, loans (mainly ECBs), currency & deposits (mainly NRI deposits) increased by US\$ 18.1 billion and US\$ 3.2 billion respectively. With rise in merchandise trade, the year-on-year increase in trade credit to Indian companies amounted to US\$ 14.3 billion.
- ❖ There was a substantial decline in the ratio of India's international financial assets to international financial liabilities from 79.3 per cent in December 2008 to 75.0 per cent in December 2009 and further to 64.8 per cent in December 2010 as the trend in growth in assets remained far below the growth in liabilities.

II. Composition of External Financial Assets and Liabilities

- ❖ Reserve Assets continued to have the dominant share (73.0 per cent) in India's international financial assets in December 2010, whereas direct investment (22.7 per cent) was the other major source (Table II).
- ❖ Direct Investment (31.5 per cent), Portfolio Investment (27.3 per cent), loans (mainly ECBs) (22.3 per cent) and currency and deposits (mainly NRI deposits) (8.2 per cent) together accounted for most of the country's financial liabilities.

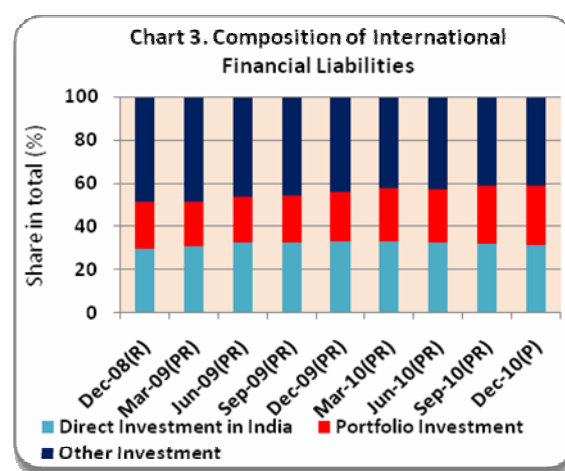
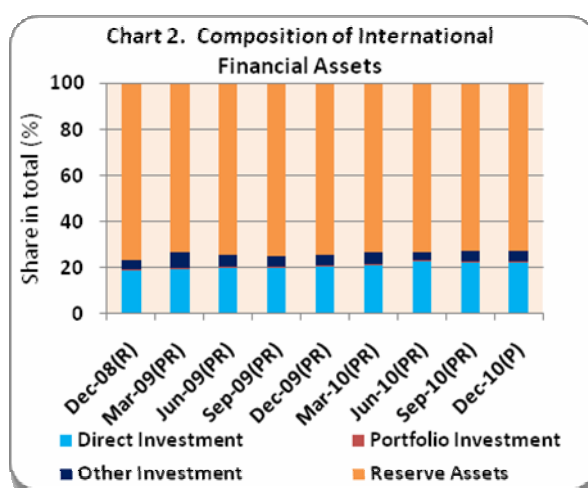


Table II. Composition of International Financial Assets and Liabilities

(per cent)

Period	Dec-08 (R)	Mar-09 (PR)	Jun-09 (PR)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (P)
A. Assets									
1. Direct Investment	19.0	19.6	20.1	20.0	20.8	21.6	22.7	22.2	22.7
2. Portfolio Investment	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3
3. Other Investment	4.0	7.0	5.1	4.5	4.4	4.8	3.5	4.9	4.1
4. Reserve Assets	76.9	73.1	74.4	75.1	74.5	73.4	73.5	72.7	73.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B. Liabilities									
1. Direct Investment	29.8	31.0	32.4	32.4	32.9	33.0	32.4	31.7	31.5
2. Portfolio Investment	21.8	20.2	21.5	22.2	23.1	24.8	24.6	27.1	27.3
3. Other Investment	48.4	48.8	46.1	45.4	44.0	42.2	43.0	41.3	41.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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, the share of non-debt liabilities continued to increase and stood at 52.5 per cent as at end-December 2010 (50.0 per cent and 52.2 per cent as at end-December 2009 and end-September 2010 respectively) and the share of debt liabilities declined correspondingly (Table III).

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

(per cent)

Period	Dec-08 (R)	Mar-09 (PR)	Jun-09 (PR)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (P)
Non-Debt Liabilities	45.0	45.2	48.2	48.9	50.0	51.4	50.7	52.2	52.5
Debt Liabilities	55.0	54.9	51.8	51.1	50.0	48.6	49.3	47.8	47.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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Alpana Killawala
Chief General Manager