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India's Quarterly International Investment Position (IIP) for December 2011

[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.

India's Net International Investment Position (IIP) showed an upward movement in the net liability of US \$ 215.7 billion at end-December 2011 from US \$ 204.0 billion at [end-September 2011](#). This rise in net liabilities was led mainly by a reduction of US \$ 20.7 billion in assets, which was partially offset by a decline of US \$ 9.0 billion in liabilities. The decline, however, reflected valuation changes emanating from exchange rate movements.

Following are the highlights of IIP for the [quarter-ended December 2011](#):

I. Overall International Investment Position

Quarterly Variations:

- International financial assets stood at US\$ 432.3 billion as at end-December 2011 with a decrease of US\$ 20.7 billion over the previous quarter (Table 1). Reserve assets, which remained the major source, decreased by US\$ 14.8 billion to US\$ 296.7 billion at end-December 2011. Among other sources, Direct Investment abroad moved up by US\$ 1.9 billion during the quarter to US\$ 111.3 billion as at end-December 2011.
- International financial liabilities decreased by US\$ 9.0 billion over the previous quarter to US\$ 648.0 billion as at end-December 2011. Direct and portfolio investments in India decreased by US\$ 10.9 billion and US\$ 6.2 billion, respectively. Among other investments, trade credit and loans (mainly ECBs) increased by US\$ 2.6 billion and US\$ 4.2 billion, respectively.
- Due to rupee depreciation during the quarter, equity liabilities for September 2011 were revised downwards by US\$ 27.0 billion when valued at end-December 2011 exchange rate (US\$ 16.6 billion in Direct investment, US\$ 10.4 billion in Portfolio investment).
- Net claims of non-residents on India as reflected by the Net IIP (International financial assets less International financial liabilities) increased by US\$ 11.7 billion over the previous quarter to US\$ 215.7 billion as at end-December 2011.

- The declining trend in the ratio of India's international financial assets to international financial liabilities declined during the latest quarter and the ratio stood at 66.7 per cent in December 2011 (69.0 per cent in September 2011).

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Dec-09 (R)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (PR)	Jun-11 (PR)	Sep-11 (PR)	Dec-11 (P)
Net IIP	-126.4	-155.7	-164.5	-195.9	-210.0	-211.1	-224.6	-204.0	-215.7
A. Assets	385.6	388.0	390.8	415.8	423.6	439.5	451.2	453.0	432.3
1. Direct Investment	80.9	84.3	87.6	91.5	96.4	100.8	106.4	109.4	111.3
2. Portfolio Investment	1.0	1.4	1.4	1.6	1.6	1.5	1.5	1.4	1.4
2.1 Equity Securities	0.9	1.4	1.4	1.5	1.6	1.4	1.4	1.4	1.4
2.2 Debt Securities	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
3. Other Investment	20.2	23.3	26.1	29.9	28.2	32.4	27.6	30.8	22.9
3.1 Trade Credits	1.7	2.3	6.0	4.5	5.8	6.4	6.3	9.3	0.1
3.2 Loans	3.7	5.9	3.6	6.3	4.0	6.3	4.2	4.1	4.7
3.3 Currency & Deposits	7.7	7.7	7.8	10.3	9.1	10.9	7.6	7.8	7.6
3.4 Other Assets	7.2	7.4	8.6	8.9	9.3	8.8	9.5	9.6	10.5
4. Reserve Assets	283.5	279.1	275.7	292.9	297.3	304.8	315.7	311.5	296.7
B. Liabilities	512.0	543.7	555.3	611.7	633.5	650.6	675.7	657.0	648.0
1. Direct Investment	171.4	182.1	183.2	197.7	204.7	211.1	224.5	212.6	201.7
2. Portfolio Investment	117.2	133.9	135.2	163.7	171.2	173.6	176.0	161.4	155.2
2.1 Equity Securities	93.4	105.3	106.6	130.5	138.2	138.9	141.4	128.0	119.4
2.2 Debt securities	23.8	28.5	28.6	33.3	33.0	34.7	34.6	33.4	35.8
3. Other Investment	223.3	227.7	237.0	250.3	257.6	265.9	275.2	283.0	291.0
3.1 Trade Credits	45.1	49.5	53.8	56.6	57.9	60.7	63.7	66.7	69.3
3.2 Loans	122.1	121.6	126.6	134.7	140.2	144.9	150.0	155.8	160.0
3.3 Currency & Deposits	48.2	48.6	48.8	50.5	51.3	51.8	53.0	52.4	52.6
3.4 Other Liabilities	8.1	8.1	7.9	8.5	8.1	8.5	8.5	8.1	9.1

R: Revised PR: Partially revised P: Provisional;
Note- 1. The sum of the constituent items may not add to the total due to rounding off.
2. Footnotes given in this table are also applicable to other tables.

(b) Annual Variations

- International financial assets increased by US\$ 8.7 billion on a year-on-year basis (Table 1). Among the external financial assets, direct investment abroad moved up by US\$ 14.9 billion and reserve assets declined by US\$ 0.6 billion, respectively.
- International financial liabilities increased by US\$ 14.5 billion on a year-on-year basis to US\$ 648.0 billion as at end-December 2011. This was led by loans

(mainly ECBs) and trade credit. With rise in merchandise trade on year-on-year basis, trade credit to Indian companies increased by US\$ 11.3 billion.

- As a result of above changes in external assets and liabilities, the net claims of non-residents on India increased by US\$ 5.7 billion as at end-December 2011, on a year-on-year basis (Table 1).
- There was a decline in the ratio of India's international financial assets to international financial liabilities from 75.3 per cent in December 2009 to 66.9 per cent in December 2010 and remained around that at 66.7 per cent in December 2011 as the trend of higher growth in liabilities *vis-à-vis* assets moderated during 2011.

II. Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (68.7 per cent) in India's international financial assets in December 2011, followed by direct investment abroad (25.8 per cent) (Table 2).
- Direct Investment (31.1 per cent), Portfolio Investment (24.0 per cent), loans (mainly ECBs) (24.7 per cent), trade credit (10.7 per cent) and currency and deposits (8.1 per cent) were the major constituents of the country's financial liabilities.

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

(per cent)

Period	Dec-09 (R)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (PR)	Jun-11 (PR)	Sep-11 (PR)	Dec-11 (P)
A. Assets									
1. Direct Investment	21.0	21.7	22.4	22.0	22.8	22.9	23.6	24.1	25.8
2. Portfolio Investment	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
3. Other Investment	5.2	6.0	6.7	7.2	6.6	7.4	6.1	6.8	5.2
4. Reserve Assets	73.5	71.9	70.6	70.4	70.2	69.4	70.0	68.8	68.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B. Liabilities									
1. Direct Investment	33.5	33.5	33.0	32.3	32.3	32.5	33.2	32.3	31.1
2. Portfolio Investment	22.9	24.6	24.3	26.8	27.0	26.7	26.1	24.6	24.0
3. Other Investment	43.6	41.9	42.7	40.9	40.7	40.8	40.7	43.1	44.9
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 moderation in Direct and Portfolio equity investment liabilities in US dollar terms, the share of non-debt liabilities declined to 48.2 per cent as at end-December 2011 from 50.5 per cent at end-September 2011 (Table 3).

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

(per cent)

Period	Dec-09 (R)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (PR)	Jun-11 (PR)	Sep-11 (PR)	Dec-11 (P)
Non-Debt Liabilities	50.4	51.8	51.1	52.6	53.1	52.8	52.9	50.5	48.2
Debt Liabilities	49.6	48.2	48.9	47.4	46.9	47.2	47.1	49.5	51.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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 the lag reduced to one quarter since June 2009. The last quarterly IIP as at end-September 2011 was put in public domain on December 30, 2011.

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