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**RESERVE BANK OF INDIA**

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March 28, 2013

**India's International Investment Position (IIP), December 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 December 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\$ 10.4 billion over the previous quarter to US\$ 282.0 billion as at end-December 2012, mainly on account of US\$ 10.5 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\$ 441.9 billion as at end-December 2012 and remained unchanged from the previous quarter. Reserve assets, which remained the major component of international financial assets, rose by US\$ 0.8 billion to US\$ 295.6 billion at end-December 2012. Direct investment abroad moved up by US\$ 2.3 billion during the quarter to US\$ 118.2 billion as at end-December 2012 whereas Other Investment abroad (mainly trade credit, currency and deposits and loans) reduced by US\$ 3.1 billion.
- The International financial liabilities increased by US\$ 10.5 billion over the previous quarter to US\$ 723.9 billion as at end-December 2012. While direct investments in India declined by US\$ 3.5 billion, portfolio investments in India increased by US\$ 4.9 billion. Among other investments liabilities, trade credit, loan and currency and deposits (mainly NRI deposits) increased by US\$ 6.2 billion, US\$ 0.7 billion and US\$ 0.6 billion respectively.

- Due to rupee depreciation during end-September 2012 to end-December 2012 equity liabilities in US\$ term revised downwards by US\$ 13.2 billion (US\$ 8.4 billion in direct investment and US\$ 4.8 billion in portfolio investment).
- The ratio of India's international financial assets to international financial liabilities decreased to 61.0 per cent in December 2012 (61.9 per cent in September 2012).

### **(b) Annual Variations**

- International financial assets abroad increased by US\$ 9.9 billion on a year-on-year basis (Table 1). Among the external financial assets, direct investment abroad moved up by US\$ 8.7 billion. In contrast, reserve assets declined by US\$ 1.1 billion.
- International financial liabilities increased by US\$ 83.1 billion to US\$ 723.9 billion as at end-December 2012. Both direct investment and portfolio investment in India increased by US\$ 19.9 billion and US\$ 22.9 billion respectively. The other investment liabilities in the form of trade credit, loan and currency and deposits increased by US\$ 40.3 billion.
- As a result of the above changes in external assets and liabilities, net claims of non-residents on India increased by US\$ 73.2 billion as at end-December 2012, on a year-on-year basis.

## **II. Composition of External Financial Assets and Liabilities**

- Reserve Assets continued to have the dominant share (66.9 per cent) in India's international financial assets in December 2012, followed by direct investment abroad (26.7 per cent) (Table 2).
- Direct Investment (with share of 31.3 per cent), portfolio investment (23.4 per cent), loans (mainly ECBs) (22.9 per cent) were the major constituents of the country's financial liabilities. The other investment component of liabilities viz. trade credit and currency and deposits contributed to 11.5 and 9.4 per cent of country's financial liabilities.

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

- Due to lower growth of direct investment and portfolio equity investment liabilities in US dollar terms, the share of non-debt liabilities declined to 47.7 per cent as at end- December 2012 from 48.4 percent at end -September 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-September 2012 was put in public domain on December 28, 2012.

**Table 1: Overall International Investment Position of India**

(US \$ billion)

Period	Dec-11(PR)	Mar-12(PR)	Jun-12(PR)	Sep-12(PR)	Dec-12(P)
<b>Net IIP</b>	-208.8	-248.6	-224.1	-271.6	-282.0
<b>A. Assets</b>	432.0	437.8	433.8	441.9	441.9
1. Direct Investment	109.5	112.4	114.4	115.9	118.2
2. Portfolio Investment	1.5	1.5	1.5	1.5	1.5
2.1 Equity Securities	1.5	1.5	1.4	1.5	1.5
2.2 Debt Securities	0.0	0.0	0.0	0.1	0.1
3. Other Investment	24.3	29.5	28.2	29.7	26.6
3.1 Trade Credits	1.4	0.0	4.9	5.6	3.0
3.2 Loans	5.0	6.1	3.8	3.8	3.6
3.3 Currency & Deposits	7.5	11.8	7.5	8.4	7.5
3.4 Other Assets	10.5	11.7	12.0	11.9	12.4
4. Reserve Assets	296.7	294.4	289.7	294.8	295.6
<b>B. Liabilities</b>	640.8	686.3	657.9	713.4	723.9
1. Direct Investment	206.5	222.3	205.6	229.9	226.4
2. Portfolio Investment	146.6	165.8	148.3	164.6	169.5
2.1 Equity Securities	109.7	125.3	110.5	125.7	129.1
2.2 Debt securities	36.9	40.5	37.7	39.0	40.5
3. Other Investment	287.7	298.3	304.0	318.9	328.0
3.1 Trade Credits	67.2	67.3	72.7	76.9	83.1
3.2 Loans	157.7	160.2	160.7	164.8	165.5
3.3 Currency & Deposits	52.6	58.8	61.1	67.2	67.8
3.4 Other Liabilities	10.2	12.0	9.6	10.0	11.7

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	Dec-11(PR)	Mar-12(PR)	Jun-12(PR)	Sep-12(PR)	Dec-12(P)
<b>A. Assets</b>					
1. Direct Investment	25.4	25.7	26.4	26.2	26.7
2. Portfolio Investment	0.3	0.3	0.3	0.4	0.4
3. Other Investment	5.6	6.7	6.5	6.7	6.0
4. Reserve Assets	68.7	67.3	66.8	66.7	66.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>B. Liabilities</b>					
1. Direct Investment	32.2	32.4	31.3	32.2	31.3
2. Portfolio Investment	22.9	24.2	22.5	23.1	23.4
3. Other Investment	44.9	43.4	46.2	44.7	45.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

Period	(per cent)				
	Dec-11(PR)	Mar-12(PR)	Jun-12(PR)	Sep-12(PR)	Dec-12(P)
Non-Debt Liabilities	48.0	49.3	46.6	48.4	47.7
Debt Liabilities	52.0	50.7	53.4	51.6	52.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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**Press Release : 2012-2013/1633****Alpana Killawala**  
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