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India's Quarterly International Investment Position: March 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.

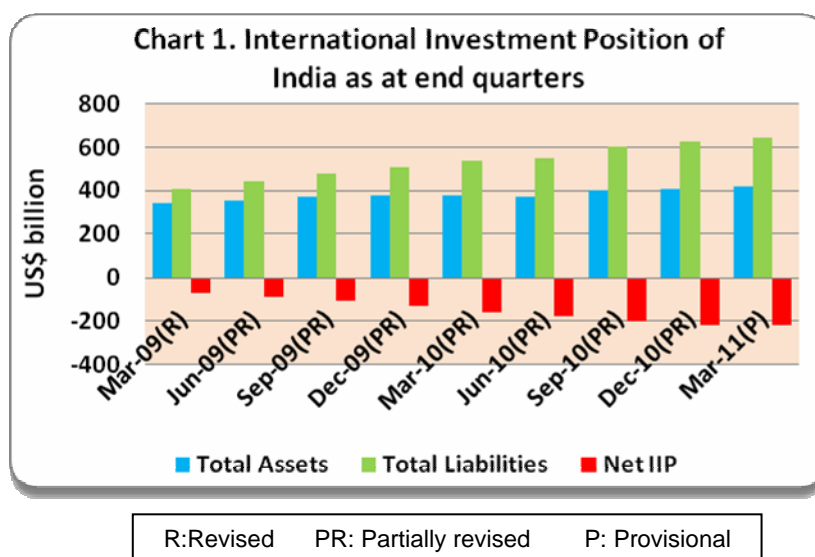
As per the Special Data Dissemination Standard (SDDS) of the International Monetary Fund (IMF), data on IIP are to be disseminated on an annual basis with a time lag of two quarters (quarterly encouraged with one quarter's lag). India's quarterly IIP was being disseminated with a lag of less than two quarters since June 2006 and the lag reduced to one quarter since June 2009. The last quarterly IIP as at [end-December 2010](#) was put in public domain on March 31 2011.

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

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\$ 1.5 billion over the previous quarter to US\$ 218.9 billion as at end- March 2011, mainly due to increase in net inflow on account of direct investment and external commercial borrowings (ECBs) (Table I).
- ❖ International financial assets stood at US\$ 424.5 billion as at end-March 2011 with increase of US\$ 14.5 billion over the previous quarter. Reserve assets, which remained the major source, increased by US\$ 7.5 billion to US\$ 304.8 billion at end-March 2011. Among other sources, Direct Investment abroad moved up by US\$ 4.3 billion during the quarter to US\$ 98.2 billion as at end-March 2011.

**Table I: Overall International Investment Position**

(US \$ billion)

Period	Mar-09 (R)	Jun-09 (PR)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (P)
Net IIP	-66.6	-89.6	-103.9	-127.1	-158.4	-174.1	-201.4	-217.4	-218.9
A. Assets	344.7	356.2	374.5	380.6	381.1	376.5	404.8	410.0	424.5
1. Direct Investment	67.6	71.7	75.1	79.3	82.0	85.2	89.0	93.9	98.2
2. Portfolio Investment	1.0	1.0	1.1	1.0	1.4	1.4	1.6	1.6	1.5
2.1 Equity Securities	1.0	1.0	1.0	0.9	1.4	1.4	1.5	1.6	1.4
2.2 Debt Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
3. Other Investment	24.0	18.3	17.1	16.9	18.7	14.1	21.3	17.1	20.0
3.1 Trade Credits	0.9	-0.8	-2.4	-1.7	-2.3	-6.0	-4.1	-5.3	-5.9
3.2 Loans	6.2	5.5	4.4	3.7	5.9	3.6	6.3	4.0	6.3
3.3 Currency & Deposits	10.2	6.8	8.0	7.7	7.7	7.8	10.3	9.1	10.9
3.4 Other Assets	6.7	6.8	7.1	7.2	7.4	8.6	8.9	9.3	8.8
4. Reserve Assets	252.0	265.1	281.3	283.5	279.1	275.7	292.9	297.3	304.8
B. Liabilities	411.3	445.8	478.3	507.7	539.4	550.5	606.2	627.4	643.4
1. Direct Investment	127.6	144.6	155.2	167.2	177.8	178.4	192.1	198.4	204.2
2. Portfolio Investment	83.2	95.9	106.0	117.2	133.9	135.2	164.0	171.5	173.9
2.1 Equity Securities	63.1	75.6	85.1	93.4	105.3	106.6	130.5	138.2	138.9
2.2 Debt securities	20.1	20.3	20.9	23.8	28.6	28.6	33.5	33.3	35.0
3. Other Investment	200.5	205.3	217.1	223.3	227.8	237.0	250.2	257.5	265.3
3.1 Trade Credits	41.8	40.6	41.9	45.1	49.5	53.8	56.6	57.9	60.7
3.2 Loans	113.8	116.7	120.7	122.0	121.6	126.6	134.6	140.0	144.4
3.3 Currency & Deposits	42.3	45.4	46.7	48.2	48.6	48.8	50.5	51.3	51.8
3.4 Other Liabilities	2.5	2.7	7.9	8.1	8.1	7.8	8.5	8.1	8.5

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. Footnotes given in this table are also applicable for other tables.

- ❖ International financial liabilities increased by US\$ 16.0 billion over the previous quarter to US\$ 643.4 billion as at end-March 2011. Direct and portfolio investments in India increased by US\$ 5.8 billion and US\$ 2.4 billion, respectively, and among other investments, trade credit and loans (mainly ECBs) increased by US\$ 2.8 billion and US\$ 4.4 billion, respectively.
- ❖ The declining trend in the ratio of India's international financial assets to international financial liabilities reverted marginally during the latest quarter and the ratio stood at 66.0 per cent in March 2011 (65.3 per cent by December 2010).

(b) Annual Variations

- ❖ The net claims of non-residents on India increased by US\$ 60.5 billion as at end-March 2011, on a year-on-year basis, primarily due to increase in net inflow of direct and portfolio investment as well as ECBs (Table I) even as reserve assets increased by US\$ 25.7 billion.
- ❖ International financial assets increased by US\$ 43.4 billion on a year-on-year basis. Among the external financial assets, direct investment abroad and reserve assets moved up by US\$ 16.2 billion and US\$ 25.7 billion respectively. Among other sources, currency & deposits recorded a marginal increase of US\$ 3.2 billion.
- ❖ International financial liabilities surged by US\$ 104.0 billion on a year-on-year basis to US\$ 643.4 billion as at end-March 2011. Direct and portfolio investment in India increased by US\$ 26.4 billion and US\$ 40.0 billion, respectively. Among other liabilities, loans (mainly ECBs) and currency & deposits (mainly NRI deposits) increased by US\$ 22.8 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\$ 11.2 billion.
- ❖ There was a substantial decline in the ratio of India's international financial assets to international financial liabilities from 83.8 per cent in March 2009 to 70.6 per cent in March 2010 and further to 66.0 per cent in March 2011 as the trend in growth in assets remained far below the growth in liabilities.

II. Ratios of International Financial Assets and Liabilities to Gross Domestic Product (GDP at current market prices)

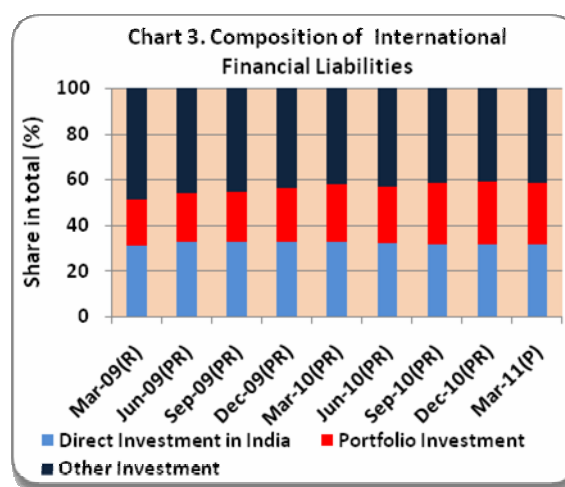
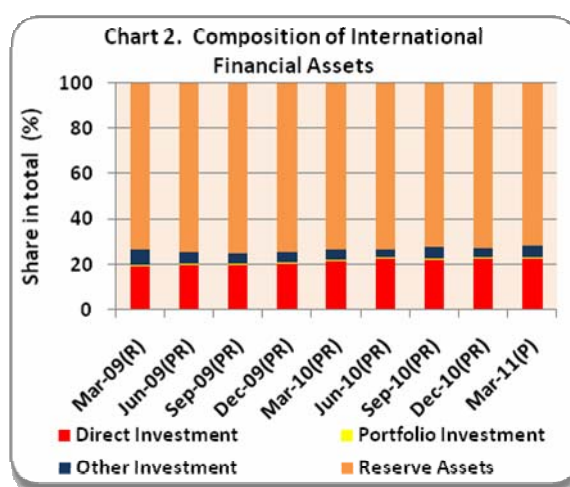
- ❖ The ratio of net IIP of India to GDP was (-) 12.4 per cent as at end-March 2011 as compared with (-) 10.9 per cent as (at current market prices) at end-March 2010 (Table II).
- ❖ The ratio of total international financial assets to GDP decreased to 24.1 per cent as at end-March 2011 from 26.3 per cent as at end-March 2010. The Reserve Assets to GDP ratio declined to 17.3 per cent as at end-March 2011 from 19.2 per cent as at end-March 2010.
- ❖ The ratio of total international financial liabilities to GDP reduced to 36.5 per cent as at end-March 2011 from 37.2 per cent as at end-March 2010.
- ❖ Among the international financial liabilities, the ratio to GDP of Direct investment declined to 11.6 per cent as at end-March 2011 from 12.3 per cent as at end-March 2010. The ratio to GDP of Portfolio Investment, witnessed an increasing trend from 7.6 per cent as at end-March 2009 to 9.2 per cent as at end-March 2010, which further increased to 9.9 per cent as at end-March 2011.

Table II. Ratios of External financial Assets and Liabilities to GDP

Period	(per cent)		
	Mar-09 (R)	Mar-10 (PR)	Mar-11 (P)
Net IIP (Assets - Liabilities)	-6.1	-10.9	-12.4
A. Assets	31.5	26.3	24.1
1. Direct Investment Abroad	6.2	5.7	5.6
2. Portfolio Investment	0.1	0.1	0.1
2.1 Equity Securities	0.1	0.1	0.1
2.2 Debt Securities	0.0	0.0	0.0
3. Other Investment	2.2	1.3	1.1
3.1 Trade Credits	0.1	-0.2	-0.3
3.2 Loans	0.6	0.4	0.4
3.3 Currency and Deposits	0.9	0.5	0.6
3.4 Other Assets	0.6	0.5	0.5
4. Reserve Assets	23.0	19.2	17.3
B. Liabilities	37.5	37.2	36.5
1. Direct Investment in India	11.6	12.3	11.6
2. Portfolio Investment	7.6	9.2	9.9
2.1 Equity Securities	5.8	7.3	7.9
2.2 Debt securities	1.8	2.0	2.0
3. Other Investment	18.3	15.7	15.0
3.1 Trade Credits	3.8	3.4	3.4
3.2 Loans	10.4	8.4	8.2
3.3 Currency and Deposits	3.9	3.4	2.9
3.4 Other Liabilities	0.2	0.6	0.5

III. Composition of External Financial Assets and Liabilities

- ❖ Reserve Assets continued to have the dominant share (71.8 per cent) in India's international financial assets in March 2011, whereas direct investment abroad (23.1 per cent) was the other major source (Table III).
- ❖ Direct Investment (31.7 per cent), Portfolio Investment (27.0 per cent), loans (mainly ECBs) (22.4 per cent) and currency and deposits (mainly NRI deposits) (8.1 per cent) together accounted for most of the country's financial liabilities.



R: Revised PR: Partially revised P: Provisional

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Table III. Composition of International Financial Assets and Liabilities

(per cent)

Period	Mar-09 (R)	Jun-09 (PR)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (P)
A. Assets									
1. Direct Investment	19.6	20.1	20.0	20.8	21.5	22.6	22.0	22.9	23.1
2. Portfolio Investment	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
3. Other Investment	7.0	5.1	4.6	4.5	4.9	3.8	5.3	4.2	4.7
4. Reserve Assets	73.1	74.4	75.1	74.5	73.2	73.2	72.4	72.5	71.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B. Liabilities									
1. Direct Investment	31.0	32.4	32.5	32.9	33.0	32.4	31.7	31.6	31.7
2. Portfolio Investment	20.2	21.5	22.2	23.1	24.8	24.6	27.1	27.3	27.0
3. Other Investment	48.8	46.1	45.4	44.0	42.2	43.1	41.3	41.0	41.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

- ❖ Due to faster growth in net equity inflow compared with other international financial liabilities during 2009-10 and 2010-11, the share of non-debt liabilities stood at 52.3 per cent as at end-March 2011 (45.2 per cent and 51.4 per cent at end March 2009 and end-March 2010 respectively) (Table IV).

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

(per cent)

Period	Mar-09 (R)	Jun-09 (PR)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (P)
Non-Debt Liabilities	45.2	48.2	48.9	50.0	51.4	50.7	52.2	52.6	52.3
Debt Liabilities	54.8	51.8	51.1	50.0	48.6	49.3	47.9	47.4	47.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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