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India's International Investment Position (IIP) - Quarter ended December 2013

[International Investment Position \(IIP\)](#) is a statistical statement that shows, at a point in time, the value and the composition of (i) financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets; and (ii) liabilities of residents of an economy to non-residents. The difference between an economy's external financial assets and liabilities is its net IIP. Such balance sheet analysis of international accounts helps in understanding sustainability and vulnerability of the economy's external sector.

Major highlights of IIP for the [quarter-ended December 2013](#) are as follows:

Net claims of non-residents on India (as reflected by the net IIP) increased by US\$ 17.7 billion over the previous quarter to US\$ 317.2 billion as at end-December 2013. This change in the net position reflected an increase of US\$ 39.9 billion in the value of foreign-owned assets in India vis-à-vis an increase of US\$ 22.2 billion in the value of Indian Residents' financial assets abroad (Table 1).

Indian residents' financial assets abroad stood at US\$ 458.9 billion as at end-December 2013 recording an increase of US\$ 22.2 billion over previous quarter mainly due to increase of US\$ 16.7 billion in reserve assets and increase of US\$ 5.8 billion in other investment abroad, mainly trade credit and currency and deposits. Direct investment abroad observed marginal decline of US\$ 0.3 billion.

The foreign-owned assets in India increased by US\$ 39.9 billion over the previous quarter to US\$ 776.1 billion mainly due to increase of US\$ 23.6 billion in currency and deposits component of 'other investment'. Direct investment in India and portfolio investment in India also increased by US\$ 8.6 billion and US\$ 5.6 billion, respectively. In portfolio investment, while equity investment increased by US\$ 8.0 billion, debt investment decreased by US\$ 2.4 billion. Among other investment liabilities, trade credits declined by US\$ 1.2 billion and loans increased by US \$ 3.2 billion.

Effects of Rupee Appreciation: Variation in exchange rate of rupee vis-à-vis other currencies affected change in liabilities, when valued in US \$ terms. Equity liabilities in US \$ terms increased by US\$ 16.3 billion, due to the stock valuation effect resulting from rupee appreciation, while net inflow was US \$ 11.5 billion during the period.

Composition of External Financial Assets and Liabilities: Reserve Assets continued to have the dominant share (64.0 per cent) in India's international financial assets in December 2013, followed by direct investment abroad (26.1 per cent). Direct Investment (29.2 per cent), portfolio investment (22.8 per cent), loans (mainly ECBs) (22.1 per cent), trade credit (11.4 per cent) and currency and deposits (12.7 per cent) were the major constituents of the country's financial liabilities (Table 2).

External Debt Liabilities vis-à-vis External Non-Debt Liabilities: The share of non-debt liabilities decreased marginally to 44.8 per cent as at end- December 2013 from 45.1 percent at end- September 2013 (Table 3).

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Dec-12 (PR)	Mar-13 (PR)	Jun-13 (PR)	Sep-13 (PR)	Dec-13 (P)
Net IIP	-296.7	-322.2	-311.2	-299.5	-317.2
A. Assets	443.9	447.8	434.5	436.7	458.9
1. Direct Investment	118.1	119.5	119.5	120.1	119.8
2. Portfolio Investment	1.5	1.4	1.3	1.3	1.3
2.1 <i>Equity Securities</i>	1.4	1.3	1.2	1.2	1.2
2.2 <i>Debt Securities</i>	0.1	0.1	0.1	0.1	0.1
3. Other Investment	28.7	34.8	31.2	38.0	43.8
3.1 <i>Trade Credits</i>	5.7	3.9	6.2	8.2	10.9
3.2 <i>Loans</i>	3.5	4.9	3.7	5.7	5.6
3.3 <i>Currency & Deposits</i>	6.9	13.1	8.0	10.8	13.9
3.4 <i>Other Assets</i>	12.6	12.9	13.3	13.3	13.6
4. Reserve Assets	295.6	292.0	282.5	277.2	293.9
B. Liabilities	740.6	769.9	745.7	736.2	776.1
1. Direct Investment	225.0	233.7	219.8	218.1	226.7
2. Portfolio Investment	185.8	196.8	184.5	171.6	177.2
2.1 <i>Equity Securities</i>	128.9	139.5	131.6	124.3	132.3
2.2 <i>Debt securities</i>	56.8	57.3	52.9	47.3	44.9
3. Other Investment	329.8	339.5	341.4	346.5	372.1
3.1 <i>Trade Credits</i>	84.6	89.0	91.4	89.6	88.4
3.2 <i>Loans</i>	165.5	166.9	166.3	168.7	171.9
3.3 <i>Currency & Deposits</i>	67.8	71.0	71.3	75.2	98.8
3.4 <i>Other Liabilities</i>	12.0	12.6	12.3	13.1	13.1
Memo item: Assets to Liability Ratio (%)	59.9	58.2	58.3	59.3	59.1

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	Dec-12 (PR)	Mar-13 (PR)	Jun-13 (PR)	Sep-13 (PR)	Dec-13 (P)
A. Assets					
1. Direct Investment	26.6	26.7	27.5	27.5	26.1
2. Portfolio Investment	0.3	0.3	0.3	0.3	0.3
3. Other Investment	6.5	7.8	7.2	8.7	9.6
4. Reserve Assets	66.6	65.2	65.0	63.5	64.0
Assets/Liabilities	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	30.4	30.4	29.5	29.6	29.2
2. Portfolio Investment	25.1	25.6	24.7	23.3	22.8
3. Other Investment	44.5	44.1	45.8	47.1	48.0

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

(per cent)

Period	Dec-12 (PR)	Mar-13 (PR)	Jun-13 (PR)	Sep-13 (PR)	Dec-13 (P)
Non-Debt Liabilities	46.4	47.1	45.7	45.1	44.8
Debt Liabilities	53.6	52.9	54.3	54.9	55.2
Total	100.0	100.0	100.0	100.0	100.0

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