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इ-मेल email: helpdoc@rbi.org.in

संचार वभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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India's International Investment Position (IIP), March 2014¹

[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 is an important input for understanding external sustainability and vulnerability, and is also useful in analysing the economic structure. Following are the highlights of India's IIP for the [quarter-ended March 2014](#):

I. Overall International Investment Position

(a) Quarterly Variations:

- **Net claims of non-residents on India** (as reflected by the net IIP) increased by US\$ 12.8 billion over the previous quarter to US\$ 331.6 billion as at end-March 2014 largely reflecting valuation effects (Table 1). This change in the net position reflected a US\$ 37.8 billion increase in the value of foreign-owned assets in India vis-à-vis a US\$ 24.9 billion increase in the value of Indian Residents' financial assets abroad.
- **Indian residents' financial assets abroad stood** at US\$ 483.2 billion as at end-March 2014 exhibiting an increase of US\$ 24.9 billion over previous quarter mainly due to increase of US\$ 10.3 billion in Reserve assets and US\$ 8.9 billion in direct investment abroad .
- **The foreign-owned assets in India** increased by US\$ 37.8 billion over the previous quarter to US\$ 814.8 billion mainly due to increase of US\$ 16.1 billion in Direct investment in India and an increase of US\$ 13.4 billion in portfolio investment in India. Among other investment liabilities, loans (mainly external commercial borrowings) increased by US\$ 7.5 billion and trade credits declined by US\$ 4.5 billion.
- **Effects of Rupee Appreciation:** Variation in exchange rate of rupee vis-a-vis other currencies affected change in liabilities, when valued in US \$ terms. Equity liabilities increased by US\$ 23.4 billion, from US\$ 348.0 billion in December 2013 to US\$ 371.4 billion in March 2014, partly due to the stock valuation effect resulting from rupee appreciation, while net inflow was US \$ 12.6 billion during the period .

¹ India's quarterly IIP are being disseminated with one quarter lag and the last quarterly IIP as at end-December 2013 was placed in the public domain on [March 28, 2014](#).

- **The ratio of India's international financial assets to international financial liabilities** stood at 59.3 per cent in March 2014 (59.0 per cent in December 2013).

(b) Annual Variations

- International financial assets abroad increased by US\$ 35.4 billion on a year-on-year basis (Table 1). These included increase of US\$ 9.2 billion in direct investment abroad and US\$ 12.1 billion in Reserve Assets.
- International financial liabilities increased by US\$ 40.3 billion on a year-on-year basis. Of these, direct investment in India increased by US\$ 9.0 billion whereas portfolio investment in India decreased by US\$ 8.3 billion. The other investment liabilities in the form of trade credit, loan and currency and deposits during this period increased by US\$ 39.6 billion.
- As a result of the above changes in external assets and liabilities, net claims of non-residents on India increased by US\$ 4.9 billion as at end-March 2014, on a year-on-year basis.

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

- The ratio of total international financial assets to GDP (at current market prices) increased to 25.6 per cent as at end-March 2014 from 24.1 per cent a year ago (Table 2). Reserve Assets to GDP ratio increased to 16.1 per cent as at end-March 2014 from 15.7 per cent as at end-March 2013.
- The ratio of total international financial liabilities to GDP rose to 43.1 per cent as at end-March 2014 from 41.7 per cent a year ago. Among the international financial liabilities, the ratio of Direct investment and Portfolio investment to GDP stood at 12.9 per cent and 10.2 per cent, respectively, as at end-March 2014.
- The ratio of net IIP to GDP was (-) 17.6 per cent at end-March 2014, which was also its level a year ago.

III. Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (63.0 per cent) in India's international financial assets in March 2014, followed by direct investment abroad (26.6 per cent) (Table 3).
- Direct Investment (29.8 per cent), portfolio investment (23.7 per cent), loans (21.9 per cent), and currency and deposits (12.8 per cent) were the major constituents of the country's financial liabilities.

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

- The share of non-debt liabilities increased marginally to 45.6 per cent as at end- March 2014 from 44.8 percent at end- December 2013 (Table 4).

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Mar-13 (PR)	Jun-13 (PR)	Sep-13 (PR)	Dec-13 (PR)	Mar-14 (P)
Net IIP	-326.7	-313.2	-302.0	-318.8	-331.6
A. Assets	447.8	434.5	436.7	458.3	483.2
1. Direct Investment	119.5	119.5	120.1	119.8	128.7
2. Portfolio Investment	1.4	1.4	1.3	1.3	1.1
2.1 <i>Equity Securities</i>	1.3	1.2	1.2	1.2	0.9
2.2 <i>Debt Securities</i>	0.1	0.2	0.1	0.2	0.1
3. Other Investment	34.8	31.2	38.0	43.2	49.2
3.1 <i>Trade Credits</i>	3.9	6.3	8.2	10.9	8.7
3.2 <i>Loans</i>	4.9	3.7	5.7	5.6	6.9
3.3 <i>Currency & Deposits</i>	13.1	8.0	10.8	13.9	17.9
3.4 <i>Other Assets</i>	12.9	13.3	13.3	12.9	15.7
4. Reserve Assets	292.1	282.5	277.2	293.9	304.2
B. Liabilities	774.5	747.7	738.7	777.0	814.8
1. Direct Investment	233.7	219.8	218.1	226.6	242.7
2. Portfolio Investment	201.3	186.5	173.9	179.6	193.0
2.1 <i>Equity Securities</i>	139.5	131.6	124.3	132.4	139.7
2.2 <i>Debt securities</i>	61.8	54.9	49.6	47.3	53.4
3. Other Investment	339.5	341.4	346.6	370.9	379.1
3.1 <i>Trade Credits</i>	89.0	91.4	89.6	88.4	83.9
3.2 <i>Loans</i>	167.0	166.4	168.8	170.6	178.1
3.3 <i>Currency & Deposits</i>	71.0	71.3	75.2	98.8	104.0
3.4 <i>Other Liabilities</i>	12.6	12.3	13.1	13.1	13.0
Memo item: Assets to Liability Ratio (%)	57.8	58.1	59.1	59.0	59.3

R: Revised PR: Partially revised P: Provisional;

The sum of the constituent items may not add to the total due to rounding off.

Table 2: Ratios of External financial Assets and Liabilities to GDP

(per cent)

Period	Mar-12 (R)	Mar-13 (PR)	Mar-14 (P)
Net IIP (Assets - Liabilities)	-14.8	-17.6	-17.6
A. Assets	24.4	24.1	25.6
1. Direct Investment Abroad	6.3	6.4	6.8
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	1.6	1.9	2.6
3.1 Trade Credits	0.0	0.2	0.5
3.2 Loans	0.3	0.3	0.4
3.3 Currency and Deposits	0.6	0.7	1.0
3.4 Other Assets	0.7	0.7	0.8
4. Reserve Assets	16.4	15.7	16.1
B. Liabilities	39.2	41.7	43.1
1. Direct Investment in India	12.4	12.6	12.9
2. Portfolio Investment	10.1	10.8	10.2
2.1 Equity Securities	7.0	7.5	7.4
2.2 Debt securities	3.1	3.3	2.8
3. Other Investment	16.7	18.3	20.1
3.1 Trade Credits	3.8	4.8	4.4
3.2 Loans	8.9	9.0	9.4
3.3 Currency and Deposits	3.3	3.8	5.5
3.4 Other Liabilities	0.7	0.7	0.7

Table 3: Composition of International Financial Assets and Liabilities of India

(per cent)

Period	Mar-13 (PR)	Jun-13 (PR)	Sep-13 (PR)	Dec-13 (PR)	Mar-14 (P)
A. Assets					
1. Direct Investment	26.7	27.5	27.5	26.2	26.6
2. Portfolio Investment	0.3	0.3	0.3	0.3	0.2
3. Other Investment	7.8	7.2	8.7	9.4	10.2
4. Reserve Assets	65.2	65.0	63.5	64.1	63.0
Assets/Liabilities	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	30.2	29.4	29.5	29.2	29.8
2. Portfolio Investment	26.0	24.9	23.6	23.1	23.7
3. Other Investment	43.8	45.7	46.9	47.7	46.5

Table 4: Share of External Debt and Non-Debt Liabilities of India

(per cent)

Period	Mar-13 (PR)	Jun-13 (PR)	Sep-13 (PR)	Dec-13 (PR)	Mar-14 (P)
<i>Non-Debt Liabilities</i>	46.8	45.6	44.9	44.8	45.6
<i>Debt Liabilities</i>	53.2	54.4	55.1	55.2	54.4
Total	100.0	100.0	100.0	100.0	100.0

Sangeeta Das

Director

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