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September 30, 2011

India's Quarterly International Investment Position (IIP): June 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-March 2011 was put in public domain on June 30 2011.

Following are the highlights of IIP for the quarter-ended June 2011:

I. Overall International Investment Position
(a) Quarterly Variations:

- ❖ International financial assets stood at US\$ 435.6 billion as at end-June 2011 with increase of US\$ 11.1 billion over the previous quarter (Table 1). Reserve assets, which remained the major source, increased by US\$ 10.9 billion to US\$ 315.7 billion at end-June 2011. Among other sources, Direct Investment abroad moved up by US\$ 5.7 billion during the quarter to US\$ 103.9 billion as at end-June 2011.
- ❖ International financial liabilities increased by US\$ 25.3 billion over the previous quarter to US\$ 669.2 billion as at end-June 2011. Direct and portfolio investments in India increased by US\$ 13.5 billion and US\$ 2.8 billion, respectively and, among other investments, trade credit and loans (mainly ECBs) increased by US\$ 3.0 billion and US\$ 4.6 billion, respectively.
- ❖ Net claims of non-residents on India as reflected by the Net IIP (International financial assets less International financial liabilities) increased by US\$ 14.2 billion over the previous quarter to US\$ 233.6 billion as at end-June 2011, mainly due to increase in net inflow on account of direct investments and external commercial borrowings (ECBs) even as reserve assets and direct investment abroad increased substantially.
- ❖ The declining trend in the ratio of India's international financial assets to international financial liabilities continued during the latest quarter and the ratio stood at 65.1 per cent in June 2011 (65.9 per cent by March 2011).

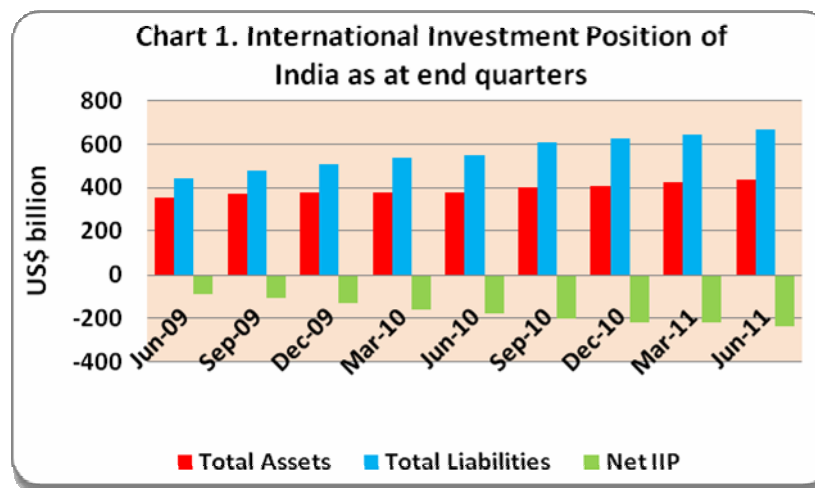


Table 1: Overall International Investment Position

(US \$ billion)

Period	Jun-09 (R)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (PR)	Jun-11 (P)
Net IIP	-89.6	-103.9	-127.1	-158.4	-174.1	-201.7	-217.4	-219.4	-233.6
A. Assets	356.2	374.5	380.6	381.1	376.5	404.8	410.0	424.5	435.6
1. Direct Investment	71.7	75.1	79.3	82.0	85.2	89.0	93.9	98.2	103.9
2. Portfolio Investment	1.0	1.1	1.0	1.4	1.4	1.6	1.6	1.5	1.5
2.1 Equity Securities	1.0	1.0	0.9	1.4	1.4	1.5	1.6	1.4	1.4
2.2 Debt Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
3. Other Investment	18.3	17.1	16.9	18.7	14.1	21.3	17.1	20.0	14.5
3.1 Trade Credits	-0.8	-2.4	-1.7	-2.3	-6.0	-4.1	-5.3	-5.9	-6.8
3.2 Loans	5.5	4.4	3.7	5.9	3.6	6.3	4.0	6.3	4.2
3.3 Currency & Deposits	6.8	8.0	7.7	7.7	7.8	10.3	9.1	10.9	7.6
3.4 Other Assets	6.8	7.1	7.2	7.4	8.6	8.9	9.3	8.8	9.5
4. Reserve Assets	265.1	281.3	283.5	279.1	275.7	292.9	297.3	304.8	315.7
B. Liabilities	445.8	478.3	507.7	539.4	550.5	606.5	627.4	643.9	669.2
1. Direct Investment	144.6	155.2	167.2	177.8	178.4	192.1	198.4	204.2	217.7
2. Portfolio Investment	95.9	106.0	117.2	133.9	135.2	164.0	171.3	173.6	176.4
2.1 Equity Securities	75.6	85.1	93.4	105.3	106.6	130.5	138.2	138.9	141.7
2.2 Debt securities	20.3	20.9	23.8	28.6	28.6	33.5	33.0	34.7	34.8
3. Other Investment	205.3	217.1	223.3	227.8	237.0	250.4	257.7	266.2	275.1
3.1 Trade Credits	40.6	41.9	45.1	49.5	53.8	56.6	57.9	60.7	63.7
3.2 Loans	116.7	120.7	122.0	121.6	126.6	134.8	140.3	145.2	149.8
3.3 Currency & Deposits	45.4	46.7	48.2	48.6	48.8	50.5	51.3	51.8	53.0
3.4 Other Liabilities	2.7	7.9	8.1	8.1	7.8	8.5	8.1	8.5	8.5

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 for other tables.

❖ **(b) Annual Variations**

- ❖ International financial assets increased by US\$ 59.1 billion on a year-on-year basis (Table 1). Among the external financial assets, direct investment abroad

and reserve assets moved up by US\$ 18.7 billion and US\$ 40.0 billion respectively.

- ❖ International financial liabilities surged by US\$ 118.7 billion on a year-on-year basis to US\$ 669.2 billion as at end-June 2011. Direct and portfolio investment in India increased by US\$ 39.3 billion and US\$ 41.2 billion, respectively. Among other liabilities, loans (mainly ECBs) and currency & deposits (mainly NRI deposits) increased by US\$ 23.2 billion and US\$ 4.2 billion, respectively. With rise in merchandise trade, the year-on-year increase in trade credit to Indian companies amounted to US\$ 9.9 billion.
- ❖ The net claims of non-residents on India increased by US\$ 59.5 billion as at end-June 2011, on a year-on-year basis, primarily due to increase in net inflow of direct and portfolio investment as well as ECBs (Table 1) even as reserve assets and direct investment abroad increased substantially.
- ❖ There was a substantial decline in the ratio of India's international financial assets to international financial liabilities from 79.9 per cent in June 2009 to 68.4 per cent in June 2010 and further to 65.1 per cent in June 2011 as the trend growth in liabilities outpaced that in assets.

II. Composition of External Financial Assets and Liabilities

- ❖ Reserve Assets continued to have the dominant share (72.5 per cent) in India's international financial assets in June 2011, followed by direct investment abroad (23.9 per cent) (Table 2).
- ❖ Direct Investment (32.5 per cent), Portfolio Investment (26.4 per cent), loans (mainly ECBs) (22.4 per cent), trade credit (9.5 per cent) and currency and deposits (7.9 per cent) were the major constituents of the country's financial liabilities.

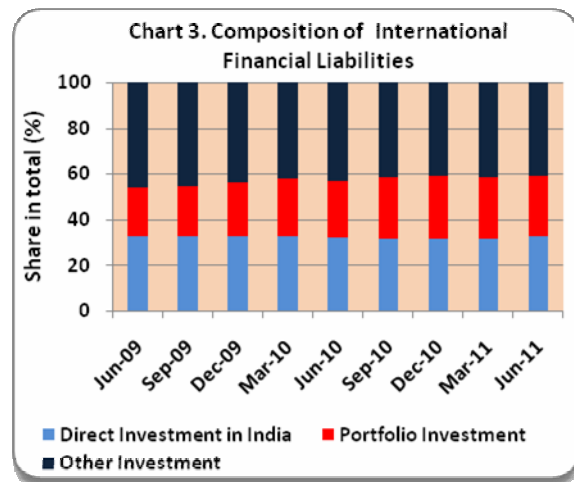
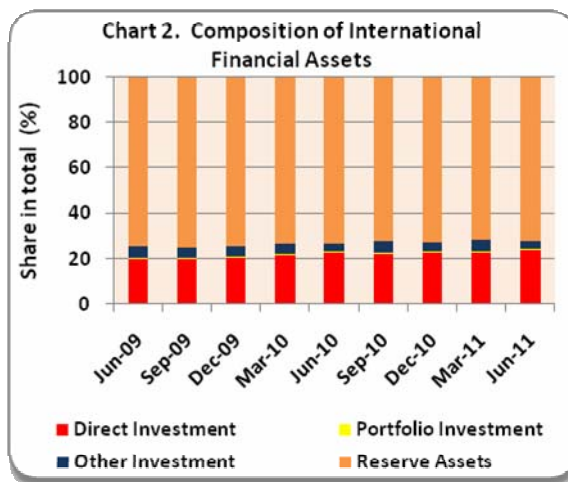


Table 2: Composition of International Financial Assets and Liabilities

(per cent)

Period	Jun-09 (R)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (PR)	Jun-11 (P)
A. Assets									
1. Direct Investment	20.1	20.0	20.8	21.5	22.6	22.0	22.9	23.1	23.9
2. Portfolio Investment	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
3. Other Investment	5.2	4.6	4.4	4.9	3.8	5.2	4.2	4.7	3.3
4. Reserve Assets	74.4	75.1	74.5	73.2	73.2	72.4	72.5	71.8	72.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B. Liabilities									
1. Direct Investment	32.4	32.4	32.9	33.0	32.4	31.7	31.6	31.7	32.5
2. Portfolio Investment	21.5	22.2	23.1	24.8	24.6	27.0	27.3	27.0	26.4
3. Other Investment	46.1	45.4	44.0	42.2	43.0	41.3	41.1	41.3	41.1
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 faster growth in net equity inflow compared with other international financial liabilities, the share of non-debt liabilities stood higher at 52.5 per cent as at end-June 2011 from 50.7 per cent at end-June 2010 and 48.2 per cent at end-June 2009 (Table 3).

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

(per cent)

Period	Jun-09 (R)	Sep-09 (PR)	Dec-09 (PR)	Mar-10 (PR)	Jun-10 (PR)	Sep-10 (PR)	Dec-10 (PR)	Mar-11 (PR)	Jun-11 (P)
Non-Debt Liabilities	48.2	48.9	50.0	51.4	50.7	52.1	52.6	52.2	52.5
Debt Liabilities	51.8	51.1	50.0	48.6	49.3	47.9	47.4	47.8	47.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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