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India's International Investment Position (IIP), March 2016¹

[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.

The highlights of IIP for the [quarter-ended March 2016](#) are as follows:

I. Overall International Investment Position

(a) Quarterly Variations:

- **Net claims of non-residents on India** (as reflected by the net IIP) decreased by US\$ 0.6 billion over the previous quarter to US\$ 361.5 billion as at end-March 2016 (Table 1). This change in the net position reflected a US\$ 16.9 billion increase in the value of foreign-owned assets in India vis-à-vis a US\$ 17.5 billion increase in the value of Indian Residents' financial assets abroad.
- **Indian residents' financial assets abroad stood** at US\$ 550.3 billion as at end-March 2016 exhibiting an increase of US\$ 17.5 billion over previous quarter mainly due to increase of US\$ 9.8 billion in Reserve assets and US\$ 3.6 billion in currency & deposits, even as trade credit assets declined by US\$ 1.6 billion during the quarter.
- **Foreign-owned assets in India** increased by US\$ 16.9 billion over the previous quarter to US\$ 911.8 billion mainly due to the increase in direct and other investments in India by US\$ 11.3 billion and US\$ 6.1 billion, respectively. Among other investment liabilities, currency & deposits increased by US\$ 4.3 billion.
- **Effects of Exchange Rate movement:** Variation in exchange rate of rupee vis-a-vis other currencies affected change in liabilities, when valued in US\$ terms. Although there was a net inflow of US\$ 10.8 billion during the period, the change in equity liabilities was marginally higher at US\$ 11.0 billion from US\$ 411.1 billion in December 2015 to US\$ 422.1 billion in March 2016, on account of marginal change in exchange rate during the quarter.

¹ India's quarterly IIP is being disseminated with one quarter lag and the previous quarterly IIP as at end-December 2015 was placed in the public domain on [March 31, 2016](#).

- **The ratio of India's international financial assets to international financial liabilities** stood at 60.4 per cent in March 2016 (59.5 per cent in December 2015).

(b) Annual Variations

- International financial assets abroad increased by US\$ 27.9 billion during the financial year 2015-16 (Table 1). These included increase of US\$ 8.9 billion in direct investment abroad and US\$ 18.6 billion in Reserve Assets, even as trade credit declined by US\$ 2.6 billion.
- International financial liabilities increased by US\$ 24.8 billion on a year-on-year basis. Of these, direct investment in India increased by US\$ 28.0 billion whereas portfolio investment in India decreased by US\$ 8.6 billion. Among other investments, currency & deposits increased by US\$ 11.8 billion during the year.
- As a result of the above changes in external assets and liabilities, net claims of non-residents on India decreased by US\$ 3.1 billion during the financial year 2015-16.

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

- The ratio of total international financial assets to GDP (at current prices) increased to 26.9 per cent as at end-March 2016 from 26.2 per cent a year ago (Table 2). Reserve Assets to GDP ratio increased to 17.6 per cent as at end-March 2016 from 17.1 per cent as at end-March 2015.
- The ratio of total international financial liabilities to GDP rose to 44.6 per cent as at end-March 2016 from 44.5 per cent a year ago. Among the international financial liabilities, the ratio of Direct investment and Portfolio investment to GDP stood at 14.3 per cent and 11.0 per cent, respectively, as at end-March 2016.
- The ratio of net IIP to GDP was (-) 17.7 per cent at end-March 2016.

III. Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (65.5 per cent) in India's international financial assets in March 2016, followed by direct investment abroad (25.7 per cent) (Table 3).
- Direct Investment (32.2 per cent), portfolio investment (24.7 per cent), loans (18.8 per cent), and currency and deposits (13.9 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 46.3 per cent as at end-March 2016 from 45.9 percent at end-December 2015 (Table 4).

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Mar-15(PR)	Jun-15(PR)	Sep-15(PR)	Dec-15(PR)	Mar-16(P)
Net IIP	-364.6	-362.0	-357.4	-362.1	-361.5
A. Assets	522.4	534.8	529.5	532.8	550.3
1. Direct Investment	132.7	134.2	135.8	139.0	141.6
2. Portfolio Investment	1.4	1.6	1.7	1.7	2.5
2.1 Equity Securities	1.1	1.5	1.6	1.6	2.4
2.2 Debt Securities	0.3	0.1	0.1	0.1	0.1
3. Other Investment	46.6	43.0	41.7	41.7	46.0
3.1 Trade Credits	5.5	5.1	4.7	4.5	2.9
3.2 Loans	5.7	4.4	4.3	3.7	6.7
3.3 Currency & Deposits	19.4	17.1	16.7	17.3	20.9
3.4 Other Assets	16.0	16.4	16.1	16.1	15.5
4. Reserve Assets	341.6	356.0	350.3	350.4	360.2
B. Liabilities	887.0	896.8	887.0	894.9	911.8
1. Direct Investment	265.4	270.9	270.8	282.1	293.4
2. Portfolio Investment	233.6	236.5	225.7	225.5	225.0
2.1 Equity Securities	153.6	151.3	143.6	141.7	141.8
2.2 Debt securities	80.0	85.2	82.1	83.8	83.2
3. Other Investment	388.1	389.4	390.4	387.2	393.3
3.1 Trade Credits	83.7	81.3	81.3	79.5	82.3
3.2 Loans	176.9	174.7	172.4	171.5	171.3
3.3 Currency & Deposits	115.3	120.1	122.0	122.8	127.1
3.4 Other Liabilities	12.2	13.3	14.7	13.4	12.7
Memo item: Assets to Liability Ratio (%)	58.9	59.6	59.7	59.5	60.4

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-14 (R)	Mar-15 (PR)	Mar-16(P)
Net IIP (Assets - Liabilities)	-18.2	-18.3	-17.7
A. Assets	25.8	26.2	26.9
1. Direct Investment Abroad	6.9	6.7	6.9
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	2.6	2.3	2.2
3.1 Trade Credits	0.5	0.3	0.1
3.2 Loans	0.4	0.3	0.3
3.3 Currency and Deposits	1.0	1.0	1.0
3.4 Other Assets	0.9	0.8	0.8
4. Reserve Assets	16.2	17.1	17.6
B. Liabilities	44.0	44.5	44.6
1. Direct Investment in India	12.9	13.3	14.3
2. Portfolio Investment	10.7	11.7	11.0
2.1 Equity Securities	7.6	7.7	6.9
2.2 Debt securities	3.1	4.0	4.1
3. Other Investment	20.3	19.5	19.2
3.1 Trade Credits	4.5	4.2	4.0
3.2 Loans	9.6	8.9	8.4
3.3 Currency and Deposits	5.5	5.8	6.2
3.4 Other Liabilities	0.7	0.6	0.6

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

(per cent)

Period	Mar-14(R)	Jun-14(PR)	Sep-14(PR)	Dec-14(PR)	Mar-15(P)
A. Assets					
1. Direct Investment	25.4	25.1	25.6	26.1	25.7
2. Portfolio Investment	0.3	0.3	0.3	0.3	0.4
3. Other Investment	8.9	8.0	8.0	7.8	8.4
4. Reserve Assets	65.4	66.6	66.1	65.8	65.5
Assets/Liabilities	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	29.9	30.2	30.5	31.5	32.2
2. Portfolio Investment	26.3	26.4	25.4	25.2	24.7
3. Other Investment	43.8	43.4	44.1	43.3	43.1

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

(per cent)

Period	Mar-14(R)	Jun-14(PR)	Sep-14(PR)	Dec-14(PR)	Mar-15(P)
Non-Debt Liabilities	46.0	45.7	45.3	45.9	46.3
Debt Liabilities	54.0	54.3	54.7	54.1	53.7
Total	100.0	100.0	100.0	100.0	100.0

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