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RESERVE BANK OF INDIA

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India's International Investment Position (IIP), December 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.

The highlights of IIP for the [quarter-ended December 2014](#) are as follows:

- **Net claims of non-residents on India** (as reflected by the net IIP) declined marginally by US\$ 1.2 billion over the previous quarter to US\$ 356.5 billion as at end-December 2014 (Table 1). This change in the net position reflected a US\$ 2.0 billion increase in the value of Indian residents' financial assets abroad vis-à-vis a US\$ 0.8 billion increase in the value of foreign-owned assets in India.
- **Indian residents' financial assets abroad** stood at US\$ 490.5 billion as at end-December 2014 exhibiting an increase of US\$ 2.0 billion over previous quarter mainly due to increase of US\$ 6.9 billion in reserve assets even as other investments abroad (trade credit, loans, currency and deposits, etc.) declined by US\$ 5.3 billion.
- **Foreign-owned assets in India** increased by US\$ 0.8 billion over the previous quarter to US\$ 847.0 billion mainly due to an increase of US\$ 1.4 billion in other investment in India, although the stock of portfolio investment in India declined by US\$ 0.6 billion. Within other investments under liabilities, currency & deposits and loans (mainly external commercial borrowings) increased by US\$ 1.3 billion each, whereas trade credit declined by US\$ 1.5 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. Even as there was equity inflow of US \$ 7.1 billion (net) during October-December 2014, outstanding equity liabilities declined from US\$ 385.9 billion in September 2014 to US\$ 382.4 billion in December 2014, as outstanding liabilities were revalued due to rupee depreciation during the period.
- **The ratio of India's international financial assets to international financial liabilities** stood at 57.9 per cent in December 2014 (57.7 per cent in September 2014).

¹ India's quarterly IIP is being disseminated with one quarter lag and the previous quarterly IIP as at end-September 2014 was released on the RBI website on December 31, 2014.

Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (65.4 per cent) in India's international financial assets in December 2014, followed by overseas direct investment (26.4 per cent) (Table 2).
- Direct Investment (29.8 per cent), portfolio investment (25.0 per cent), loans (21.1 per cent), and currency & deposits (13.0 per cent) were the major constituents of the country's financial liabilities.

Debt Liabilities *vis-à-vis* Non-Debt Liabilities

- The share of non-debt liabilities declined marginally to 45.2 per cent as at end-December 2014 from 45.6 percent at end-September 2014 (Table 3).

Table 1: Overall International Investment Position of India

(US \$ billion)

| Period | Dec-13(PR) | Mar-14(PR) | Jun-14(PR) | Sep-14(PR) | Dec-14(P) |
|---|------------|------------|------------|------------|-----------|
| Net IIP | -318.6 | -337.0 | -350.9 | -357.7 | -356.5 |
| A. Assets | 458.9 | 483.7 | 491.8 | 488.5 | 490.5 |
| 1. Direct Investment | 119.8 | 128.7 | 128.8 | 129.3 | 129.6 |
| 2. Portfolio Investment | 1.3 | 1.2 | 1.3 | 1.3 | 1.4 |
| 2.1 Equity Securities | 1.2 | 1.0 | 0.9 | 1.0 | 1.1 |
| 2.2 Debt Securities | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| 3. Other Investment | 43.9 | 49.6 | 45.6 | 44.1 | 38.8 |
| 3.1 Trade Credits | 10.9 | 8.7 | 8.3 | 7.5 | 6.3 |
| 3.2 Loans | 5.6 | 6.9 | 5.1 | 5.1 | 4.2 |
| 3.3 Currency & Deposits | 13.9 | 17.9 | 15.7 | 15.0 | 11.9 |
| 3.4 Other Assets | 13.6 | 16.1 | 16.4 | 16.5 | 16.4 |
| 4. Reserve Assets | 293.9 | 304.2 | 316.1 | 313.8 | 320.7 |
| B. Liabilities | 777.5 | 820.7 | 842.6 | 846.2 | 847.0 |
| 1. Direct Investment | 226.6 | 242.7 | 250.5 | 252.3 | 252.3 |
| 2. Portfolio Investment | 179.6 | 197.5 | 208.9 | 212.4 | 211.8 |
| 2.1 Equity Securities | 132.4 | 139.7 | 147.1 | 144.9 | 141.2 |
| 2.2 Debt securities | 47.2 | 57.8 | 61.8 | 67.5 | 70.6 |
| 3. Other Investment | 371.4 | 380.4 | 383.3 | 381.5 | 382.9 |
| 3.1 Trade Credits | 88.4 | 83.9 | 84.2 | 82.5 | 81.0 |
| 3.2 Loans | 171.1 | 179.5 | 179.3 | 177.4 | 178.7 |
| 3.3 Currency & Deposits | 98.8 | 104.0 | 106.4 | 108.9 | 110.2 |
| 3.4 Other Liabilities | 13.1 | 13.0 | 13.4 | 12.8 | 13.0 |
| Memo item: Assets to Liability Ratio (%) | 59.0 | 58.9 | 58.4 | 57.7 | 57.9 |

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: Composition of International Financial Assets and Liabilities of India
(per cent)

| Period | Dec-13(PR) | Mar-14(PR) | Jun-14(PR) | Sep-14(PR) | Dec-14(P) |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| A. Assets | | | | | |
| 1. Direct Investment | 26.1 | 26.6 | 26.2 | 26.5 | 26.4 |
| 2. Portfolio Investment | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 3. Other Investment | 9.6 | 10.2 | 9.3 | 9.0 | 7.9 |
| 4. Reserve Assets | 64.0 | 62.9 | 64.3 | 64.3 | 65.4 |
| Assets/Liabilities | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| B. Liabilities | | | | | |
| 1. Direct Investment | 29.1 | 29.6 | 29.7 | 29.8 | 29.8 |
| 2. Portfolio Investment | 23.1 | 24.1 | 24.8 | 25.1 | 25.0 |
| 3. Other Investment | 47.8 | 46.4 | 45.5 | 45.1 | 45.2 |

Table 3: Share of External Debt and Non-Debt Liabilities of India
(per cent)

| Period | Dec-13(PR) | Mar-14(PR) | Jun-14(PR) | Sep-14(PR) | Dec-14(P) |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| <i>Non-Debt Liabilities</i> | 44.8 | 45.3 | 45.9 | 45.6 | 45.2 |
| <i>Debt Liabilities</i> | 55.2 | 54.7 | 54.1 | 54.4 | 54.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

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