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India's International Investment Position (IIP), June 2012

[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. Following are the highlights of IIP for the [quarter-ended June 2012](#):

I. Overall International Investment Position

(a) Quarterly Variations:

- Net claims of non-residents on India (as reflected by the Net IIP, i.e. International financial assets abroad less International financial liabilities) decreased by US\$ 23.9 billion over the previous quarter to US\$ 220.3 billion as at end-June, mainly on account of US\$ 27.4 billion decrease in liabilities. The changes in IIP also reflect the valuation changes emanating from exchange rate movements (Table 1).
- The Indian residents' financial assets abroad stood at US\$ 433.5 billion as at end-June 2012 recording a decrease of US\$ 3.6 billion over previous quarter. Reserve assets, which remained the major component of international financial assets, declined by US\$ 4.7 billion to US\$ 289.7 billion at end-June 2012. However, Direct investment abroad moved up by US\$ 2.0 billion during the quarter to US\$ 113.7 billion as at end-June 2012.
- The International financial liabilities decreased by US\$ 27.4 billion over the previous quarter to US\$ 653.9 billion as at end-June 2012. Direct and portfolio investments in India decreased by US\$ 16.1 billion and US\$ 17.3 billion, respectively. Among other investments liabilities, trade credit and currency and deposits (mainly NRI deposits) increased by US\$ 5.4 billion and US\$ 2.3 billion, respectively.
- Equity liabilities in US\$ term decreased by US\$ 35.5 billion (US\$ 22.4 billion in Direct investment and US\$ 13.1 billion in Portfolio investment) mostly due to rupee depreciation during end-March 2012 to end-June 2012.

- The ratio of India's international financial assets to international financial liabilities stood at 66.3 per cent in June 2012 (64.2 per cent in March 2012).

(b) Annual Variations

- International financial assets abroad declined by US\$ 16.5 billion on a year-on-year basis (Table 1). Among the external financial assets, direct investment abroad observed consistent upward movement during last one year and moved up by US\$ 9.8 billion on a year-on-year basis; in contrast, reserve assets declined by US\$ 26.0 billion.
- International financial liabilities decreased by US\$ 12.2 billion on a year-on-year basis to US\$ 653.9 billion as at end-June 2012. While Direct investment and Portfolio Investment in India decreased by around US\$ 20.0 billion each, the other investment liabilities in the form of trade credit, loan, etc increased by US\$ 28.4 billion.
- As a result of the above changes in external assets and liabilities, net claims of non-residents on India increased by US\$ 4.2 billion as at end-June 2012, on a year-on-year basis.
- The ratio of India's international financial assets to international financial liabilities declined from 67.6 per cent in June 2011 to 66.3 per cent in June 2012.

II. Composition of External Financial Assets and Liabilities

- Reserve Assets continued to have the dominant share (66.8 per cent) in India's international financial assets in June 2012, followed by direct investment abroad (26.2 per cent) (Table 2).
- Direct Investment (with share of 31.1 per cent), Portfolio Investment (22.4 per cent), loans (mainly ECBs) (24.6 per cent), trade credit (11.1 per cent) and currency and deposits (9.3 per cent) were the major constituents of the country's financial liabilities.

III. External Debt Liabilities vis-à-vis External Non-Debt Liabilities

- During the year, the composition of external liabilities according to debt & non-debt components changed in favour of debt liabilities and its share increased from 47.8 per cent in June 2011 to 53.8 per cent in June 2012. (Table 3).

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 dissemination encouraged with one quarter's lag). India's quarterly IIP are being disseminated with one quarter lag and the last quarterly IIP as at end-March 2012 was put in public domain on June 29, 2012.

Table 1: Overall International Investment Position of India

(US \$ billion)

Period	Jun-11 (PR)	Sep-11 (PR)	Dec-11 (PR)	Mar-12 (PR)	Jun-12 (P)
Net IIP	-216.1	-196.0	-204.7	-244.2	-220.3
A. Assets	450.0	453.9	431.6	437.1	433.5
1. Direct Investment	103.9	106.9	108.9	111.7	113.7
2. Portfolio Investment	1.5	1.5	1.5	1.5	1.5
2.1 Equity Securities	1.5	1.5	1.5	1.5	1.5
2.2 Debt Securities	0.0	0.0	0.0	0.0	0.0
3. Other Investment	28.8	34.0	24.6	29.5	28.6
3.1 Trade Credits	7.3	12.3	1.6	-0.1	5.4
3.2 Loans	4.5	4.4	5.0	6.1	3.8
3.3 Currency & Deposits	7.5	7.7	7.5	11.8	7.5
3.4 Other Assets	9.6	9.6	10.5	11.7	12.0
4. Reserve Assets	315.7	311.5	296.7	294.4	289.7
B. Liabilities	666.1	649.8	636.2	681.3	653.9
1. Direct Investment	223.5	214.0	203.9	219.5	203.4
2. Portfolio Investment	166.8	153.4	144.6	163.7	146.4
2.1 Equity Securities	132.1	118.8	107.5	122.9	108.4
2.2 Debt securities	34.7	34.6	37.2	40.8	38.0
3. Other Investment	275.7	282.4	287.7	298.1	304.1
3.1 Trade Credits	63.7	66.7	67.2	67.3	72.7
3.2 Loans	149.2	154.0	157.7	160.0	160.7
3.3 Currency & Deposits	53.0	52.4	52.6	58.8	61.1
3.4 Other Liabilities	9.8	9.3	10.2	12.0	9.6

PR: Partially revised

P: Provisional;

Note : 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	Jun-11 (PR)	Sep-11 (PR)	Dec-11 (PR)	Mar-12 (PR)	Jun-12 (P)
A. Assets					
1. Direct Investment	23.1	23.6	25.2	25.6	26.2
2. Portfolio Investment	0.3	0.3	0.3	0.3	0.4
3. Other Investment	6.4	7.5	5.8	6.7	6.6
4. Reserve Assets	70.2	68.6	68.7	67.4	66.8
Total	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	33.6	32.9	32.1	32.2	31.1
2. Portfolio Investment	25.1	23.6	22.7	24.0	22.4
3. Other Investment	41.3	43.5	45.2	43.8	46.5
Total	100.0	100.0	100.0	100.0	100.0

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P: Provisional;

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

(per cent)

Period	Jun-11 (PR)	Sep-11 (PR)	Dec-11 (PR)	Mar-12 (PR)	Jun-12 (P)
Non-Debt Liabilities	52.2	49.9	47.6	48.9	46.2
Debt Liabilities	47.8	50.1	52.4	51.1	53.8
Total	100.0	100.0	100.0	100.0	100.0

PR: Partially revised

P: Provisional;