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June 30, 2015

## India's International Investment Position (IIP), March 2015<sup>1</sup>

[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.

Major highlights of IIP for the [quarter-ended March 2015](#) are as follows:

### I. Overall International Investment Position

#### (a) Quarterly Variations:

- **Net claims of non-residents on India** (as reflected by the net IIP) increased by US\$ 9.3 billion over the previous quarter to US\$ 363.0 billion as at end-March 2015 (Table 1). This change in the net position reflected a US\$ 36.6 billion increase in the value of foreign-owned assets in India vis-à-vis a US\$ 27.3 billion increase in the value of Indian Residents' financial assets abroad.
- **Indian residents' financial assets abroad stood** at US\$ 517.8 billion as at end-March 2015 exhibiting an increase of US\$ 27.3 billion over previous quarter mainly due to increase of US\$ 20.9 billion in Reserve assets and US\$ 7.9 billion in currency & deposits, even as trade credit assets declined by US\$ 3.6 billion during the quarter.
- **Foreign-owned assets in India** increased by US\$ 36.6 billion over the previous quarter to US\$ 880.8 billion mainly due to the increase in direct and portfolio investments in India by US\$ 12.6 billion and US\$ 16.9 billion, respectively. Among other investment liabilities, currency & deposits increased by US\$ 5.1 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. Equity liabilities increased by US\$ 19.1 billion, from US\$ 382.4 billion in December 2014 to US\$ 401.5 billion in March 2015, partly due to the revaluation of the past liabilities on account of rupee appreciation during the quarter, while net inflow was US \$ 14.7 billion during the period .

- **The ratio of India's international financial assets to international financial liabilities** stood at 58.8 per cent in March 2015 (58.1 per cent in December 2014).

#### **(b) Annual Variations**

- International financial assets abroad increased by US\$ 34.1 billion during the financial year 2014-15 (Table 1). These included increase of US\$ 1.8 billion in direct investment abroad and US\$ 37.4 billion in Reserve Assets, even as trade credit declined by US\$ 6.0 billion.
- International financial liabilities increased by US\$ 60.3 billion on a year-on-year basis. Of these, direct investment in India increased by US\$ 22.0 billion whereas portfolio investment in India increased by US\$ 30.6 billion. Among other investments, currency & deposits increased by US\$ 11.3 billion during the year.
- As a result of the above changes in external assets and liabilities, net claims of non-residents on India increased by US\$ 26.2 billion during the financial year 2014-15.

#### **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 25.8 per cent as at end-March 2015 from 25.6 per cent a year ago (Table 2). Reserve Assets to GDP ratio increased to 17.1 per cent as at end-March 2015 from 16.1 per cent as at end-March 2014.
- The ratio of total international financial liabilities to GDP rose to 44.0 per cent as at end-March 2015 from 43.5 per cent a year ago. Among the international financial liabilities, the ratio of Direct investment and Portfolio investment to GDP stood at 13.2 per cent and 11.4 per cent, respectively, as at end-March 2015.
- The ratio of net IIP to GDP was (-) 18.1 per cent at end-March 2015.

#### **III. Composition of External Financial Assets and Liabilities**

- Reserve Assets continued to have the dominant share (66.0 per cent) in India's international financial assets in March 2015, followed by direct investment abroad (25.2 per cent) (Table 3).
- Direct Investment (30.0 per cent), portfolio investment (25.9 per cent), loans (20.3 per cent), and currency and deposits (13.1 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 2015 from 45.3 percent at end- December 2014 (Table 4).

**Table 1: Overall International Investment Position of India**

(US \$ billion)

| Period  | Mar-14(PR)    | Jun-14(PR)    | Sep-14(PR)    | Dec-14(PR)    | Mar-15(P)     |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Net IIP</b>                                  | <b>-336.8</b> | <b>-350.0</b> | <b>-356.9</b> | <b>-353.7</b> | <b>-363.0</b> |
| <b>A. Assets</b>                                | <b>483.7</b>  | <b>491.8</b>  | <b>488.6</b>  | <b>490.5</b>  | <b>517.8</b>  |
| 1. Direct Investment                            | 128.7         | 128.9         | 129.5         | 129.8         | 130.5         |
| 2. Portfolio Investment                         | 1.2           | 1.3           | 1.3           | 1.4           | 1.4           |
| 2.1 <i>Equity Securities</i>                    | 1.0           | 0.9           | 1.0           | 1.0           | 1.1           |
| 2.2 <i>Debt Securities</i>                      | 0.3           | 0.3           | 0.3           | 0.4           | 0.4           |
| 3. Other Investment                             | 49.6          | 45.6          | 43.9          | 38.6          | 44.2          |
| 3.1 <i>Trade Credits</i>                        | 8.7           | 8.3           | 7.5           | 6.3           | 2.7           |
| 3.2 <i>Loans</i>                                | 6.9           | 5.1           | 5.1           | 4.2           | 4.9           |
| 3.3 <i>Currency &amp; Deposits</i>              | 17.9          | 15.7          | 15.0          | 11.9          | 19.8          |
| 3.4 <i>Other Assets</i>                         | 16.1          | 16.4          | 16.4          | 16.2          | 16.9          |
| 4. Reserve Assets                               | 304.2         | 316.1         | 313.8         | 320.7         | 341.6         |
| <b>B. Liabilities</b>                           | <b>820.5</b>  | <b>841.8</b>  | <b>845.4</b>  | <b>844.2</b>  | <b>880.8</b>  |
| 1. Direct Investment                            | 242.7         | 250.4         | 252.2         | 252.1         | 264.7         |
| 2. Portfolio Investment                         | 197.5         | 208.8         | 212.3         | 211.2         | 228.1         |
| 2.1 <i>Equity Securities</i>                    | 139.7         | 147.1         | 144.9         | 141.2         | 148.4         |
| 2.2 <i>Debt securities</i>                      | 57.8          | 61.7          | 67.5          | 70.1          | 79.7          |
| 3. Other Investment                             | 380.3         | 382.5         | 380.9         | 380.8         | 388.0         |
| 3.1 <i>Trade Credits</i>                        | 83.9          | 84.2          | 82.5          | 81.1          | 82.9          |
| 3.2 <i>Loans</i>                                | 179.3         | 178.5         | 176.8         | 176.6         | 178.4         |
| 3.3 <i>Currency &amp; Deposits</i>              | 104.0         | 106.4         | 108.9         | 110.2         | 115.3         |
| 3.4 <i>Other Liabilities</i>                    | 13.0          | 13.4          | 12.8          | 13.0          | 11.4          |
| <b>Memo item: Assets to Liability Ratio (%)</b> | <b>59.0</b>   | <b>58.4</b>   | <b>57.8</b>   | <b>58.1</b>   | <b>58.8</b>   |

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-13 (R)   | Mar-14 (PR)  | Mar-15 (P)   |
|---------------------------------------|--------------|--------------|--------------|
| <b>Net IIP (Assets - Liabilities)</b> | <b>-17.8</b> | <b>-17.8</b> | <b>-18.1</b> |
| <b>A. Assets</b>                      | <b>24.4</b>  | <b>25.6</b>  | <b>25.8</b>  |
| 1. Direct Investment Abroad           | 6.5          | 6.8          | 6.5          |
| 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                   | 1.9          | 2.6          | 2.2          |
| 3.1 Trade Credits                     | 0.2          | 0.5          | 0.1          |
| 3.2 Loans                             | 0.3          | 0.4          | 0.2          |
| 3.3 Currency and Deposits             | 0.7          | 1.0          | 1.0          |
| 3.4 Other Assets                      | 0.7          | 0.9          | 0.8          |
| 4. Reserve Assets                     | 15.9         | 16.1         | 17.1         |
| <b>B. Liabilities</b>                 | <b>42.2</b>  | <b>43.5</b>  | <b>44.0</b>  |
| 1. Direct Investment in India         | 12.7         | 12.9         | 13.2         |
| 2. Portfolio Investment               | 11.0         | 10.5         | 11.4         |
| 2.1 Equity Securities                 | 7.6          | 7.4          | 7.4          |
| 2.2 Debt securities                   | 3.4          | 3.1          | 4.0          |
| 3. Other Investment                   | 18.5         | 20.1         | 19.4         |
| 3.1 Trade Credits                     | 4.9          | 4.5          | 4.1          |
| 3.2 Loans                             | 9.1          | 9.5          | 8.9          |
| 3.3 Currency and Deposits             | 3.9          | 5.5          | 5.8          |
| 3.4 Other Liabilities                 | 0.7          | 0.7          | 0.6          |

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

(per cent)

| Period                    | Mar-14(PR)   | Jun-14(PR)   | Sep-14(PR)   | Dec-14(PR)   | Mar-15(P)    |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>A. Assets</b>          |              |              |              |              |              |
| 1. Direct Investment      | 26.6         | 26.2         | 26.5         | 26.5         | 25.2         |
| 2. Portfolio Investment   | 0.2          | 0.3          | 0.3          | 0.3          | 0.3          |
| 3. Other Investment       | 10.3         | 9.3          | 9.0          | 7.9          | 8.5          |
| 4. Reserve Assets         | 62.9         | 64.2         | 64.2         | 65.3         | 66.0         |
| <b>Assets/Liabilities</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>B. Liabilities</b>     |              |              |              |              |              |
| 1. Direct Investment      | 29.6         | 29.8         | 29.8         | 29.9         | 30.0         |
| 2. Portfolio Investment   | 24.1         | 24.8         | 25.1         | 25.0         | 25.9         |
| 3. Other Investment       | 46.3         | 45.4         | 45.1         | 45.1         | 44.1         |

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

| Period                      | (per cent)   |            |            |            |           |
|-----------------------------|--------------|------------|------------|------------|-----------|
|                             | Mar-14(PR)   | Jun-14(PR) | Sep-14(PR) | Dec-14(PR) | Mar-15(P) |
| <i>Non-Debt Liabilities</i> | 45.3         | 45.9       | 45.6       | 45.3       | 45.6      |
| <i>Debt Liabilities</i>     | 54.7         | 54.1       | 54.4       | 54.7       | 54.4      |
| <b>Total</b>                | <b>100.0</b> | 100.0      | 100.0      | 100.0      | 100.0     |

Press Release : 2014-2015/2788

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<sup>1</sup> India's quarterly IIP is being disseminated with one quarter lag and the previous quarterly IIP as at end-December 2014 was released on the RBI website on [March 31, 2015](#).