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CS3

Import cover must be looked in conjunction with international investment position, which gives a true picture of adequacy of forex reserves. Discun.

The interest rate reduction in Federal reserve saw an outflow of \$29 Billion from India. India's forex reserve decreased from \$642 Billion to \$590 Billion which covers 12 months of imports.

The import cover along with international investment position to probably measure the adequacy of forex reserves. Reserves have to meet import bills and capital outflow.

International Investment Position II P  
It is the nation's balance sheet with the rest of the world, set a specific point in time.

Net IIP measures the nation's credit  
worthiness. A negative value denotes that a  
foreign nation owns more of the  
domestic nation's asset and vice versa.

As per Economic survey India's  
IIP is -11.3% of GDP making us a debtor  
nation. The reserve to liability ratio  
has been steadily below 50% since 2012

Out of \$1.3 trillion debt within IIP  
30% comprises short term debt and  
portfolio investments.

The import cover, covers mainly  
oil based import on value, by using  
IIP data along with import cover may  
provide insights to judicious use of  
forex reserves.