

PRESS RELEASE



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India's External Debt as at the end of June 2006

- India's external debt at end-June 2006 increased by about US \$ 6.9 billion over the end-March 2006 level to reach a level of US \$ 132.1 billion (Chart 1).
- All the components of external debt except rupee debt have risen during the quarter (Table 1, Chart 2).
- Among the components of external debt, external commercial borrowings (ECBs) recorded the largest increase (US \$ 5.4 billion) during the quarter (Table 1), reflecting strong domestic investment activity. The increase is also partly attributed to the decline in the stock of ECBs at end-March 2006. While gross disbursements under ECBs were high during 2005-06, net disbursements had remained low on account of principal repayment of India Millennium Deposits (IMDs). Under ECB, commercial bank loans and foreign currency convertible bonds (FCCBs) account for the major increase during this quarter.

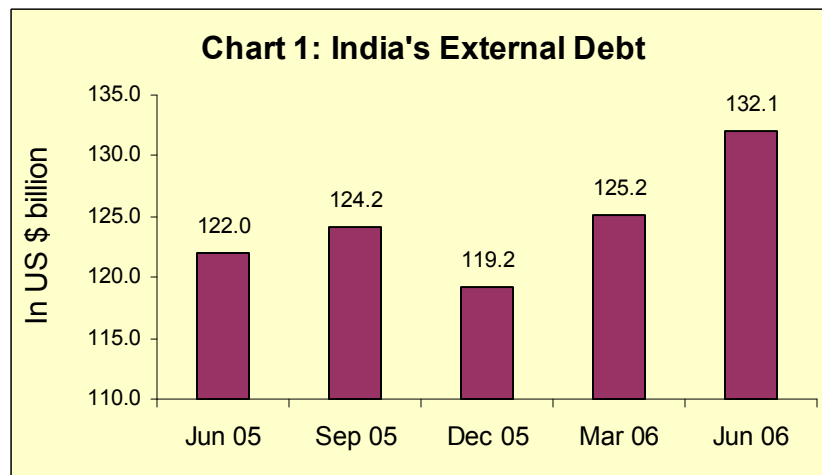
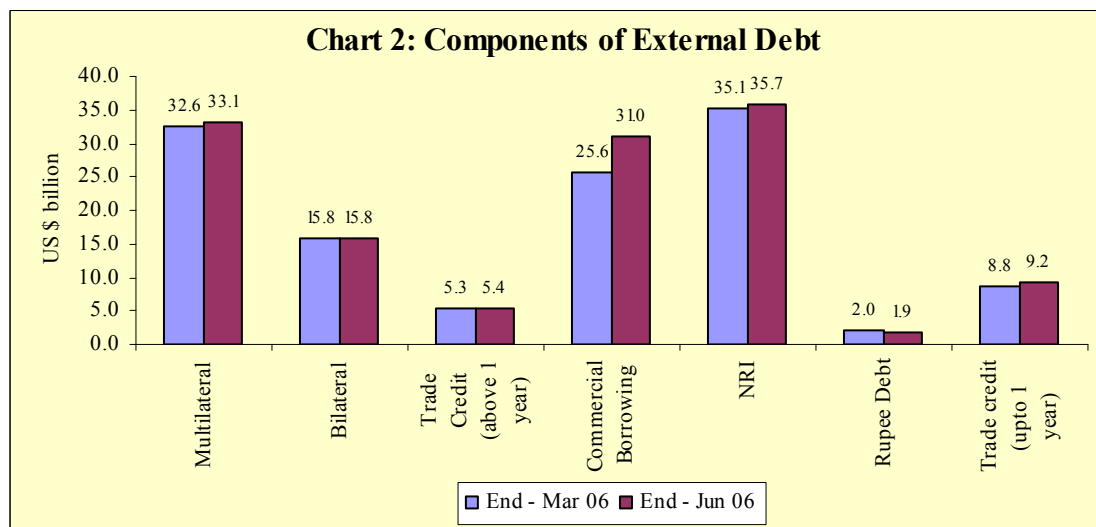


Table 1: Components of External Debt

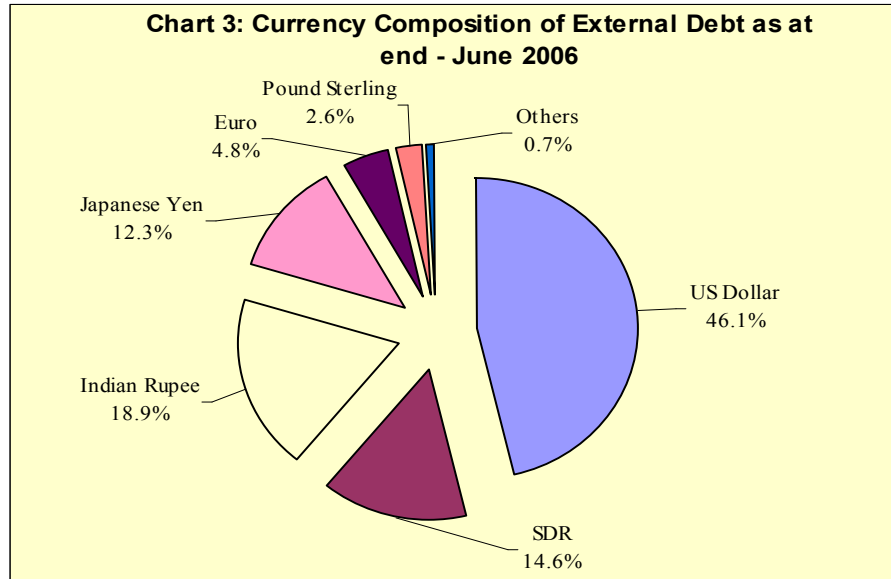
Item	At the end-of		Variation during the quarter	
	March 06	June 06		
	Amount	Amount		
	(US \$ million)	(US \$ million)	(US \$ million)	(Per cent)
(1)	(2)	(3)	(4)	(5)
1. Multilateral	32,558 (26.0)	33,105 (25.1)	547	1.7
2. Bilateral	15,784 (12.6)	15,833 (12.0)	49	0.3
3. IMF	0 (0.0)	0 (0.0)	0	0.0
4. Trade Credit				
a. Above 1 year	5,326 (4.3)	5,455 (4.1)	129	2.4
b. Upto 1 year*	8,788 (7.0)	9,196 (7.0)	408	4.6
5. Commercial Borrowings	25,560 (20.4)	30,975 (23.4)	5,415	21.2
6. NRI Deposits (long-term)	35,134 (28.1)	35,651 (27.0)	517	1.5
7. Rupee Debt	2,031 (1.6)	1,915 (1.4)	-116	-5.7
8. Total Debt	1,25,181 (100.0)	1,32,130 (100.0)	6,949	5.6
Memo Items				
A. Long-Term Debt	1,16,393 (93.0)	1,22,934 (93.0)	6,541	5.6
B. Short-Term Debt	8,788 (7.0)	9,196 (7.0)	408	4.6

Figures in parenthesis indicate share to total debt.

* Supplier's credits of up to 180 days are not included.



- The currency composition of India's external debt at end-June 2006 revealed that US dollar continue to be the major currency, accounting for 46.1 per cent of total external debt stock (Chart 3).



- There was a prepayment of external bilateral debt amounting to US \$ 59.2 million during April-June 2006.

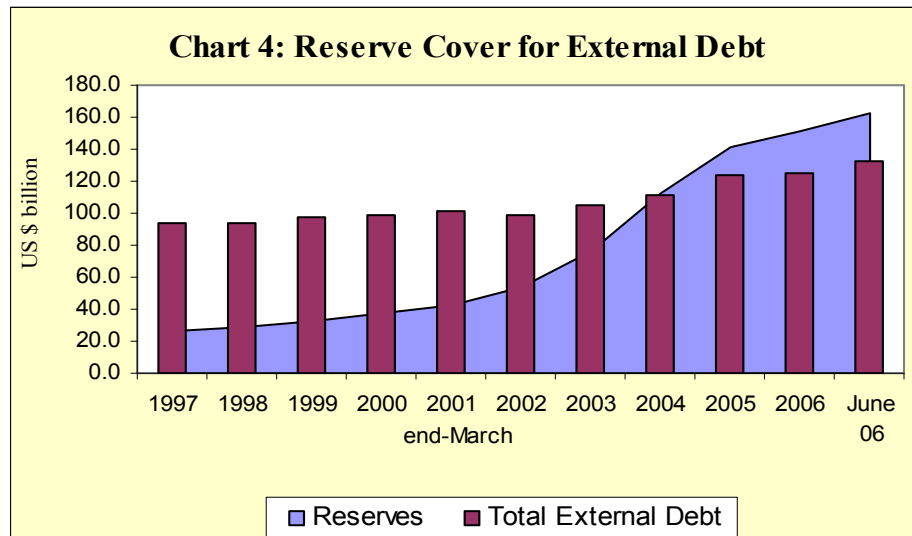
Indicators of Debt Sustainability

- The external debt sustainability indicators as set out in Table 2 suggest continued improvement in India's external debt position.

Table 2: Indicators of Debt Sustainability *(in per cent)*

Indicators	End-March 06	End-June 06
(1)	(2)	(3)
Short-term/Total debt	7.0	7.0
Short-term debt/Reserves	5.8	5.6
Concessional debt/Total debt	31.5	30.2
Reserves/ Total debt	121.1	123.3

- The share of concessional debt in total external debt declined to 30.2 per cent at end-June 2006 from 31.5 per cent at end-March 2006. It may be recalled that this ratio was around 45.9 per cent at end-March 1991. This development indicates a gradual increase in non-concessional private debt in India's external debt stock.
- India's foreign exchange reserves exceeded the external debt by US \$ 30.8 billion providing a cover of 123.3 per cent to the external debt stock at the end of June 2006 (Chart 4).



Full details of the evolution of the debt stock over the period June 2005 to June 2006 are set out in **Statement 1 and 2**.

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