

India's External Debt as at the end of March 2008

The external debt data for end-March 2008 have been compiled. As per the current practice, India's external debt statistics for the quarters ending March and June are compiled and released by the Reserve Bank, while the external debt data for quarters ending September and December are compiled and released by the Ministry of Finance, Government of India. A detailed account of external debt in the standard format as at end-March 2008 in rupee and US dollar terms is presented in Statement 1 and 2, respectively.

1. Stock of External Debt

The external debt was placed at US \$ 221.2 billion at the end of March 2008 recording an increase of US \$ 51.5 billion or 30.4 per cent over the end-March 2007 level (Table 1 and Chart 1). The increase was mainly due to external commercial borrowings (ECBs) that contributed around 39.5 per cent of the increase in total external debt, followed by short term debt (contribution being 34.8 per cent).

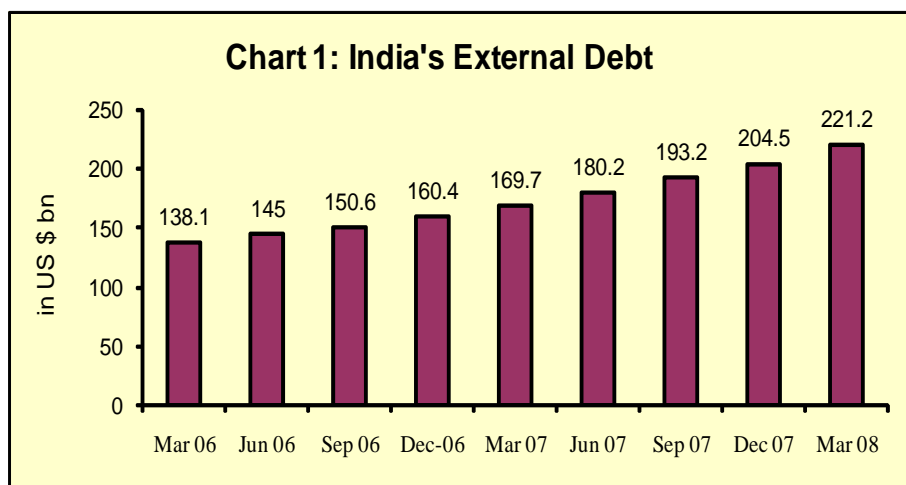


Table 1: External Debt Outstanding

At end of	Total External Debt (US \$ million)	Variation (in US \$ million)	
		Over corresponding quarter previous year	Over previous quarter
(1)	(2)	(3)	(4)
March 2006	138,133	5160 (3.9)	5,818 (4.4)
June 2006	145,019	12,073 (9.1)	6,886 (5.0)
September 2006	150,622	13,813 (10.1)	5,603 (3.9)
December 2006	160,392	28,077 (21.2)	9,770 (6.5)
March 2007	169,669	31,536 (22.8)	9,277 (5.8)
June 2007	180,179	35,160 (24.2)	10,510 (6.2)
September 2007	193,193	42,571 (28.3)	13,014 (7.2)
December 2007	204,472	44,080 (27.5)	11,279 (5.8)
March 2008	221,212	51,543 (30.4)	16,740 (8.2)

Note: Figures in parentheses indicate percentage increase.

2. Valuation Changes

Out of the increase of US \$ 51.5 billion in external debt during the year 2007-08, valuation effect reflecting the depreciation of the US dollar against other major international currencies and Indian rupee accounted for US \$ 9.9 billion of the increase. This would imply that excluding the valuation effects, the stock of external debt as at end-March 2008 increased by about US \$ 41.6 billion over the end-March 2007 level.

3. Components of External Debt

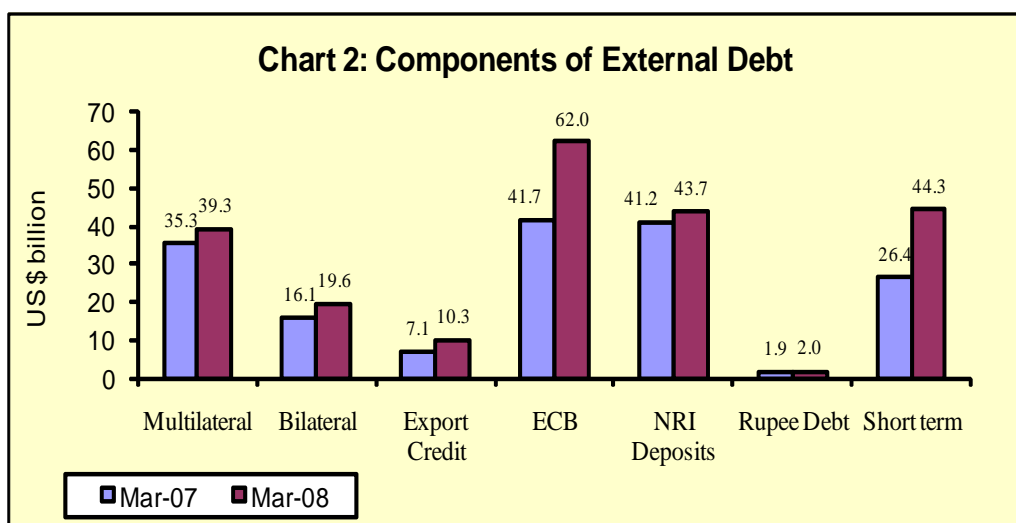
All the components of external debt recorded an increase during the year. External commercial borrowings (ECB) (including FCCBs) at US \$ 62.0 billion recorded the maximum increase of US \$ 20.4 billion (48.9 per cent) during the year (Table 2 and Chart 2). This was mainly due to the rising financing requirements of the Indian companies on account of their ongoing technological upgradation and capacity expansion. The data on short term debt now includes supplier's credit up to 180 days with effect from end-March 2005. Short term debt also recorded an increase of US \$ 17.9 billion during 2007-08. Under short term debt, while trade related credits rose significantly by around US \$ 17.7 billion in line with the rising imports, FII debt investment in government papers rose by about US \$ 254 million.

All the other components of external debt also recorded an increase during 2007-08: multilateral debt (US \$ 4.0 billion), bilateral debt (US \$ 3.6 billion), export credit above one year maturity (US \$ 3.2 billion) and NRI deposits (US \$ 2.4 billion). Rupee debt recorded a marginal rise of US \$ 69 million.

Table 2: Variation in External Debt by Components

Item	External debt outstanding at the end-of (US \$ million)			Absolute variation (US \$ million)		Percentage variation (US \$ million)	
	Mar 08	Mar 07	Mar 06	Mar 07 to Mar 08	Mar 06 to Mar 07	Mar 07 to Mar 08	Mar 06 to Mar 07
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Multilateral	39,312 (17.8)	35,337 (20.8)	32,620 (23.6)	3,975	2,717	11.2	8.3
2. Bilateral	19,613 (8.9)	16,061 (9.5)	15,761 (11.4)	3,552	300	22.1	1.9
3. IMF	0 (0.0)	0 (0.0)	0 (0.0)	0	0	0.0	0.0
4. Export Credit	10,267 (4.6)	7,051 (4.2)	5,420 (3.9)	3,216	1,631	45.6	30.1
5. Commercial Borrowings	62,019 (28.0)	41,657 (24.6)	26,452 (19.1)	20,362	15,205	48.9	57.5
6. NRI Deposits	43,672 (19.7)	41,240 (24.3)	36,282 (26.3)	2,432	4,958	5.9	13.7
7. Rupee Debt	2,016 (0.9)	1,947 (1.1)	2,059 (1.5)	69	-112	3.5	-5.4
8. Short term Debt	44,313 (20.0)	26,376 (15.5)	19,539 (14.1)	17,937	6,837	68.0	35.0
Total Debt (1 to 8)	221,212 (100.0)	169,669 (100.0)	138,133 (100.0)	51,543	31,536	30.4	22.8
Memo Items							
A. Long-Term Debt	176,899 (80.0)	143,293 (84.5)	118,594 (85.9)	33,606	24,699	23.5	20.8
B. Short-Term Debt	44,313 (20.0)	26,376 (15.5)	19,539 (14.1)	17,937	6,837	68.0	35.0

Figures in parentheses indicate share to total debt.



4. External Debt by Residual Maturity

While external debt compiled in terms of original maturity helps in comprehending the nature of capital flows, external debt in terms of residual maturity helps to analyse the debt service payments profile and the consequent charge on foreign exchange reserves. Based on residual maturity, long-term debt accounted for US \$ 136.4 billion or 62.4 per cent of total debt at end-March 2008. Short-term debt by residual maturity comprises all the components of short-term debt with original maturity of one year or less and repayments due under medium and long-term debt by original maturity during one year reference period. Short-term debt by residual maturity at end-March 2008 stood at US \$ 82.1 billion, accounting for 37.6 per cent of the total external debt. The ratio of short-term debt by residual maturity to foreign exchange reserves was 26.5 per cent at end-March 2008 (Table 3).

Table 3: Residual Maturity of External Debt outstanding as at end-March 2008

Components	Short term	Long term			Total
	Up to one year	1 to 2 years	2 to 3 years	More than 3 years	(2 to 5)
(1)	(2)	(3)	(4)	(5)	(6)
1.Sovereign Debt	2,720	3,061	3,425	47,122	56,328
2.Commercial Borrowing (including export credit)	6,881	7,327	10,636	52,706	77,550
3.NRI deposits (i+ii+iii)	28,799	7,070	3,566	1,449	43,672
(i) FCNR(B)	10,258	2,394	1,403	113	14,168
(ii) NR(E)RA	18,541	4,676	2,163	1336	26,716
(iii) NRO	NA	NA	NA	NA	2,788
4.Short term debt (Original maturity)	43,662	-	-	-	43,662
5. Total	82,062	17,458	17,627	101,277	221,212
<i>Memo Items</i>					
Short term debt (Residual maturity as per cent of total debt)	37.6				
Short term debt (Residual maturity as per cent of Reserves)	26.5				

Note: 1. Residual Maturity of NRI Deposits is estimated on the basis of the Survey conducted by the Reserve Bank on NRI deposits outstanding as on March 31, 2007.

2. The maturity pattern of NRO Deposits is not available. Therefore, maturity-wise totals given in columns 2 to 5 will not add up to the total given in column 6.

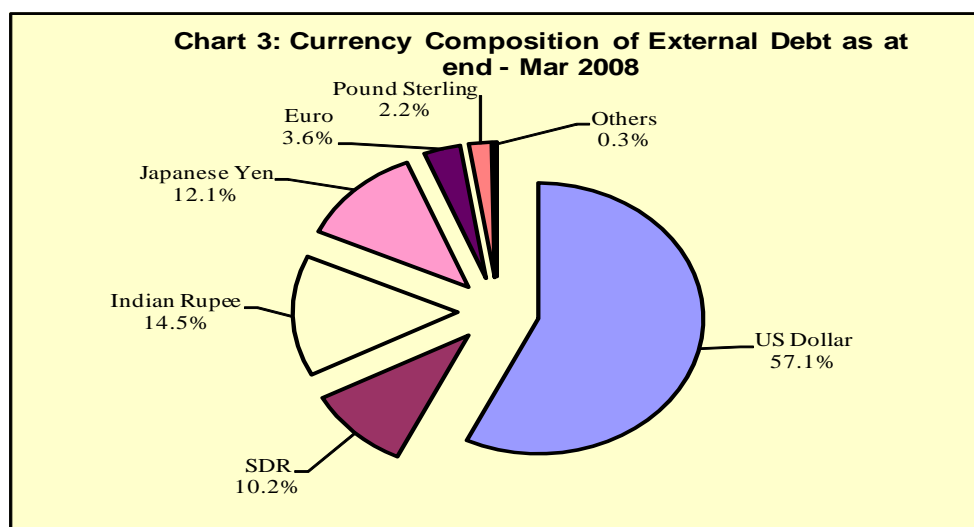
3. FII investment in treasury bills and government dated securities are included under sovereign debt, while FII investment in corporate debt papers and other short-term debt instruments are included under Commercial Borrowings.

5. Currency Composition

The US Dollar continues to remain the predominant currency accounting for 57.1 per cent of the total external debt stock as at the end of March 2008, followed by the Indian rupee (14.5 per cent), Japanese yen (12.1 per cent) and SDR (10.2 per cent) (Table 4 and Chart 3).

Table 4: Currency Composition of External Debt
(Percentage share in total external debt)

Currency	At end-March				
	2004	2005	2006	2007	2008
(1)	(2)	(3)	(4)	(5)	(6)
US Dollar	40.5	48.0	49.2	52.0	57.1
SDR	15.5	14.2	13.7	12.0	10.2
Indian Rupee	22.7	19.6	18.9	17.7	14.5
Japanese Yen	11.6	10.5	10.9	11.6	12.1
Euro	5.8	4.6	4.4	4.0	3.6
Pound Sterling	3.4	2.6	2.6	2.4	2.2
Others	0.5	0.5	0.3	0.3	0.3
Total	100.0	100.0	100.0	100.0	100.0



6. Indicators of Debt Sustainability

There has been a perceptible improvement in external debt indicators over the years reflecting the growing sustainability of external debt of India (Table 5).

- External debt to GDP has risen to 18.8 per cent at end-March 2008 from 17.8 per cent at end-March 2007. This ratio was 30.8 per cent at end-March 1995.
- The debt service ratio was placed at 5.4 per cent during 2007-08 as against a double-digit figure till 2003-04.
- Reflecting the rise in short term debt during 2007-08, the ratio of short-term to total debt and short term debt to reserves has risen to 20.0 per cent and 14.3 per cent, respectively.
- The share of concessional debt in total external debt declined to 19.9 per cent at end-March 2008 from 23.3 per cent at end-March 2007 reflecting the continuing increase in non-concessional private debt in India's external debt stock.
- India's foreign exchange reserves exceeded the external debt by US \$ 88.5 billion providing a cover of 140.0 per cent to the external debt stock at the end of March 2008 (Also see Chart 4).

Table 5: India's Key External Debt Indicators

Year	External Debt (\$ bn)	Ratio of External Debt to GDP (%)	Debt Service Ratio (%)	Ratio of Foreign Exchange Reserves to Total Debt (%)	Ratio of Concessional Debt to Total Debt (%)	Ratio of Short Term Debt to Foreign Exchange Reserves (%)	Ratio of Short Term Debt to Total Debt (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1990-91	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1991-92	85.3	38.7	30.2	10.8	44.8	76.7	8.3
1992-93	90.0	37.5	27.5	10.9	44.5	64.5	7.0
1993-94	92.7	33.8	25.4	20.8	44.4	18.8	3.9
1994-95	99.0	30.8	25.9	25.4	45.3	16.9	4.3
1995-96	93.7	27.0	26.2	23.1	44.7	23.2	5.4
1996-97	93.5	24.6	23.0	28.3	42.2	25.5	7.2
1997-98	93.5	24.3	19.5	31.4	39.5	17.2	5.4
1998-99	96.9	23.6	18.7	33.5	38.5	13.2	4.4
1999-00	98.3	22.0	17.1	38.7	38.9	10.3	4.0
2000-01	101.3	22.5	16.6	41.7	35.4	8.6	3.6
2001-02	98.8	21.1	13.7	54.7	35.9	5.1	2.8
2002-03	104.9	20.3	16.0*	72.5	36.8	6.1	4.5
2003-04	111.6	17.8	16.1**	101.2	36.1	3.9	4.0
2004-05	133.0	18.6	6.1^	106.4	30.9	12.5	13.3
2005-06	138.1	17.2	9.9#	109.8	28.6	12.9	14.1
2006-07	169.7	17.8	4.8	117.4	23.3	13.2	15.5
2007-08	221.2	18.8	5.4	140.0	19.9	14.3	20.0

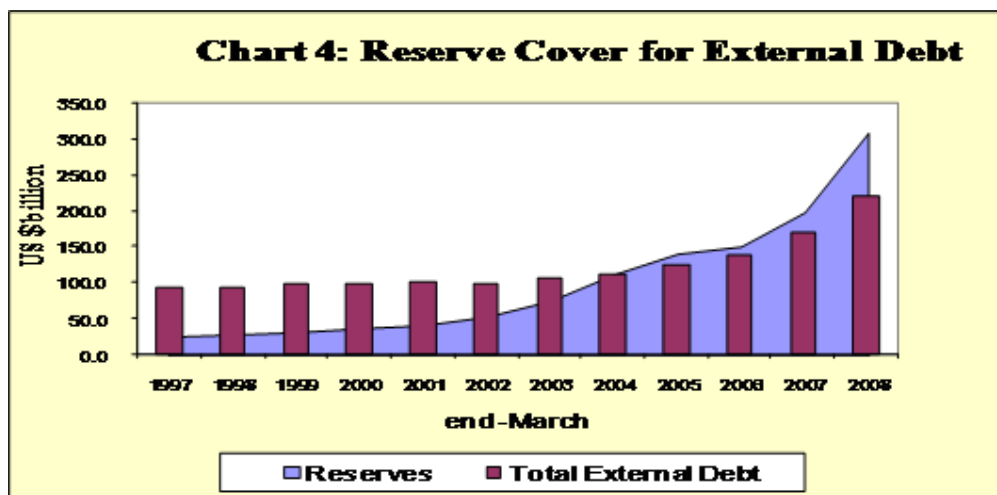
* Works out to 12.4 %, with the exclusion of prepayment of external debt of US \$ 3,430 million

** Works out to 8.2 % with the exclusion of pre payment of external debt of US \$ 3,797 million and redemption of RIBs of US \$ 5,549 million.

^ works out to 5.7 % with the exclusion of pre payment of external debt of US \$ 381 million.

works out to 6.3 % with the exclusion of IMD repayments of US \$ 7.1 billion and pre payment of external debt of US \$ 23.5 million.

Note: NRO deposits are included under NRI deposits from 2005-06 onwards. Suppliers credits up to 180 days and FII investment in short term debt instruments are included under short term external debt since 2004-05.



7. Cross Country Comparison

Comparing the cross country online data on external debt provided by the World Bank up to 2006 for the top twenty debtor countries of the developing world reveal the following (Table 6):

- India's position was fifth in 2006 in terms of external debt stock.
- In terms of the ratio of external debt to Gross National Product (GNP), India's position was second lowest, with China having the lowest ratio of external debt to GNP.
- India's debt service ratio was third lowest with China and Malaysia having first and second lowest debt service ratio, respectively.
- The element of concessionality in India's external debt portfolio was the second highest after Indonesia
- In terms of reserves to total debt, India's position was fifth after China, Malaysia, Thailand and Russia.

Table 6: International Comparison of Top 20 Debtor Countries, 2006

Year	External Debt (\$ bn)	External Debt to GNP (%)	Debt Service ratio (%)	Forex Reserves to Total Debt (%)	Concessional Debt to Total Debt (%)	Short Term to Total Debt (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. China	323	12.1	2.5	334.8	10.9	53.7
2. Russian Federation	251	26.2	13.8	121.0	0.6	16.1
3. Turkey	208	51.7	33.2	30.4	1.9	20.4
4. Brazil	194	18.7	37.3	44.2	1.3	10.5
5. India	170	17.8	4.8	117.4	23.3	15.5
6. Mexico	161	19.5	18.9	47.5	0.9	4.6
7. Indonesia	131	37.5	16.6	32.5	27.1	25.2
8. Poland	126	38.7	24.7	38.5	0.9	17.0
9. Argentina	122	58.6	31.6	26.2	1.1	28.7
10. Hungary	108	102.7	33.1	20.1	1.1	13.9
11. Kazakhstan	74	103.4	33.7	25.8	1.3	17.0
12. Philippines	60	47.1	19.6	38.1	20.7	8.3
13. Thailand	55	27.3	9.4	121.3	12.3	32.2
14. Romania	55	46.7	18.4	54.8	2.0	32.2
15. Malaysia	53	36.0	4.0	157.8	8.4	30.8
16. Ukraine	50	47.6	18.1	44.8	3.6	44.8
17. Chile	48	37.9	20.0	40.4	0.6	19.6
18. Venezuela RB	45	24.7	13.3	82.3	0.4	26.5
19. Colombia	40	26.9	31.3	38.9	2.6	12.1
20. Croatia	37	90.2	33.1	30.7	1.6	14.9

Source: Data for India are as published by national authorities for 2006-07 and those for other countries are at end-December 2006 as available in World Bank's Global Development Finance Online Database.

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