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

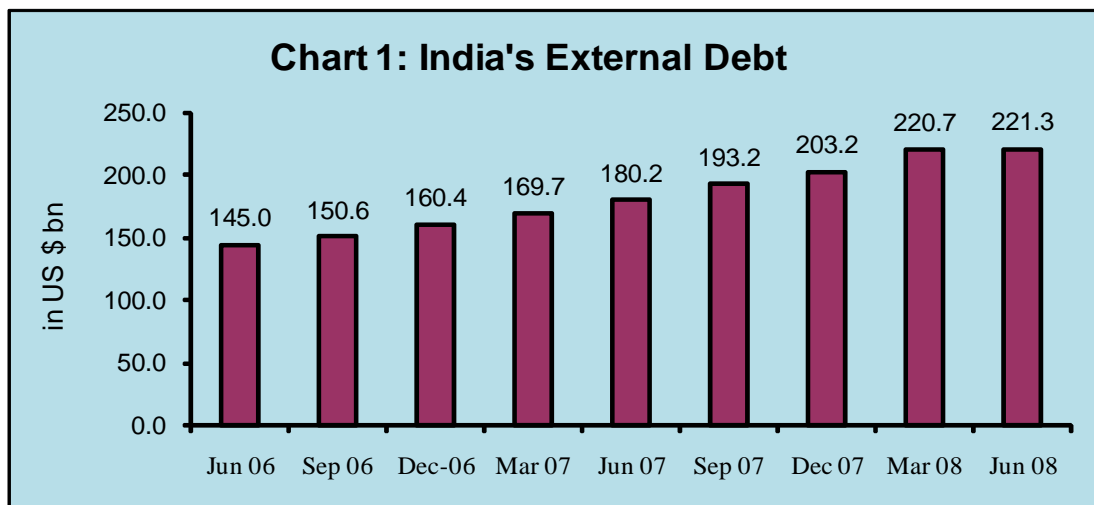
As per the extant practice, India's external debt statistics for the quarters ending March and June are compiled and released by the Reserve Bank, while the external debt data for quarters ending September and December are compiled and released by the Ministry of Finance, Government of India. A detailed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

1. Stock of External Debt

The external debt was placed at US \$ 221.3 billion at the end of June 2008 as against US \$ 220.7 billion at end-March 2008 recording an increase of US \$ 0.6 billion or 0.3 per cent over the end-March 2008 level (Table 1 and Chart 1).

Table 1: External Debt Outstanding					
(US \$ billion)					
At end of	Total External Debt	Variation			
		Over corresponding Quarter of Previous year		Over Previous Quarter	
		Amount	Per cent	Amount	Per cent
(1)	(2)	(3)	(4)	(5)	(6)
March, 2006	138.1	5.2	3.9	5.8	4.4
June, 2006	145.0	12.1	9.1	6.9	5.0
September, 2006	150.6	13.8	10.1	5.6	3.9
December, 2006	160.4	28.0	21.2	9.7	6.5
March, 2007	169.7	31.5	22.8	9.3	5.8
June, 2007	180.2	35.2	24.2	10.5	6.2
September, 2007	193.2	42.6	28.3	13.0	7.2
December, 2007	203.2	42.8	26.7	10.0	5.2
March, 2008	220.7	51.1	30.1	17.5	8.6
June, 2008	221.3	41.1	22.8	0.6	0.3

Source: India's External Debt: A Status Report, Government of India, August 2008; Reserve Bank of India.



2. Valuation Changes

The valuation effect reflecting the appreciation of the US dollar against other major international currencies and Indian rupee resulted in a decline in external debt by US \$ 4.5 billion. This implies that excluding the valuation effects, the stock of external debt as at end-June 2008 increased by US \$ 5.1 billion over the end-March 2008 level.

3. Components of External Debt

The rise in external debt stock was essentially due to increase in short term debt which rose by US \$ 2.2 billion during the quarter. The data on short term debt include both suppliers' credit up to and above 180 days and FII investment in Government debt papers. The rise in short-term debt was mainly on account of rise in trade credit (in particular, trade credits above 180 days) attributed to the higher financing of imports during the quarter.

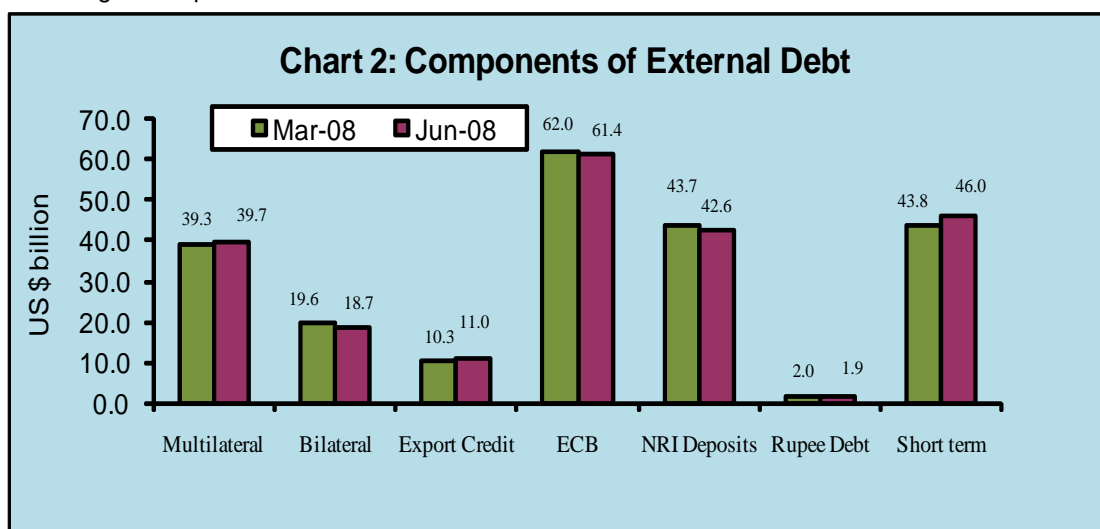
Outstanding NRI deposits at US \$ 42.6 billion as at end-June 2008 recorded a decline of US \$ 1.1 billion over the level at end-March 2008. Despite inflows under NRI deposits during the quarter, the above decline in outstanding was mainly on account of valuation effect.

The movements in the other components of external debt as at end June 2008 revealed that while there was an increase in multilateral debt and export credit, commercial borrowings, bilateral debt and rupee debt showed decline (Table 2 and Chart 2).

Table 2: Variation in External Debt by Components

Item	External debt outstanding at the end-of (US \$ million)			Absolute variation (US \$ million)		Percentage variation (per cent)	
	Mar 07	Mar 08	Jun 08	Mar 07 to Mar 08	Mar 08 to Jun 08	Mar 07 to Mar 08	Mar 08 to Jun 08
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Multilateral	35,337 (20.8)	39,312 (17.8)	39,662 (17.9)	3,975	350	11.2	0.9
2. Bilateral	16,061 (9.5)	19,613 (8.9)	18,683 (8.4)	3,552	-930	22.1	-4.7
3. IMF	0 (0.0)	0 (0.0)	0 (0.0)	0	0	0.0	0.0
4. Export Credit	7,051 (4.2)	10,267 (4.7)	11,004 (5.0)	3,216	737	45.6	7.2
5. Commercial Borrowings	41,657 (24.6)	62,019 (28.1)	61,458 (27.8)	20,362	-561	48.9	-0.9
6. NRI Deposits	41,240 (24.3)	43,672 (19.8)	42,612 (19.3)	2,432	-1,060	5.9	-2.4
7. Rupee Debt	1,947 (1.1)	2,016 (0.9)	1,866 (0.8)	69	-150	3.5	-7.4
8. Short term Debt	26,376 (15.5)	43,820 (19.8)	46,018 (20.8)	17,444	2,198	66.1	5.0
Total Debt (1 to 8)	169,669 (100.0)	220,719 (100.0)	221,303 (100.0)	51,050	584	30.1	0.3
Memo Items							
A. Long-Term Debt	143,293 (84.5)	176,899 (80.2)	175,285 (79.2)	33,606	-1,614	23.5	-0.9
B. Short-Term Debt	26,376 (15.5)	43,820 (19.8)	46,018 (20.8)	17,444	2,198	66.1	5.0

Note: Figures in parentheses indicate share to total debt.



4. External Debt by Residual Maturity

While external debt is generally compiled in terms of original maturity, analysing the external debt in terms of residual maturity is important from the point of view of forex liquidity management and to ascertain the total forex outgo on account of debt service payments in the immediate future. The 'long term debt by residual maturity' comprises the repayments due after one year under medium and long term debt by original maturity. On the other hand, the 'short-term debt by residual maturity' comprises the repayments due under medium and long-term debt by original maturity during one year reference period along with the short-term debt with original maturity. Based on residual maturity, out of total external debt of US \$ 221.3 billion as at end-June 2008, long-term debt accounted for US \$ 132.3 billion or 59.8 per cent. Short-term debt by residual maturity at end-June 2008 stood at US \$ 89.0 billion accounting for 40.2 per cent of the total external debt. The ratio of short-term debt by residual maturity to foreign exchange reserves was 28.5 per cent at end-June 2008 (Table 3).

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

(US \$ million)

Components (1)	Short term	Long term			Total
	Up to one year (2)	1 to 2 years (3)	2 to 3 years (4)	More than 3 years (5)	(2 to 5) (6)
1.Sovereign Debt	2,780	3,211	4,613	44,600	55,204
2.Commercial Borrowing (including export credit)	7,403	7,383	10,501	52,858	78,145
3.NRI deposits (i+ii+iii)	33,485	5,895	1,996	1,236	42,612
(i) FCNR(B)	10,356	2,600	844	201	14,001
(ii) NR(E)RA	20,353	3,160	1,080	992	25,585
(iii) NRO	2,776	135	72	43	3,026
4.Short term debt (Original maturity)	45,342	-	-	-	45,342
Total (1 to 4)	89,010	16,489	17,110	98,694	221,303
<i>Memo Items</i>					
Short term debt (Residual maturity as per cent of total debt)	40.2				
Short term debt (Residual maturity as per cent of Reserves)	28.5				

Notes: 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, 2008.

2. The maturity pattern of NRO Deposits that was not available in the March 31, 2007 survey is now available in the March 31, 2008 survey. The maturity-wise break up of NRO deposits are thus, given.

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

While the US dollar is generally used as the numeraire currency for computing external debt in order to facilitate international comparison, the currency composition of the external debt is essential to understand the currencies in which the debt is actually denominated and hence the extent of the economy's vulnerability to solvency and liquidity risks. It also gives an idea of the extent of exposure of the economy to cross currency exchange rate movements. The currency composition of India's external debt is generally disseminated in terms of major foreign currencies such as US dollars, Japanese yen, Euro, Pound Sterling, Special Drawing Rights (SDR) and the domestic currency *i.e.*, Indian rupee.

In this regard, it is stated that while calculating currency composition, the short term trade credit was generally taken to be in dollars as most of it was denominated in US dollars. However, recognising the growing volume of such credits in the recent years on the back of burgeoning imports and the increasing significance of currencies other than US dollar in the short term credit, the original currency breakup of the short term trade credit above 180 days was computed for end-March 2008 and end-June 2008. It was observed that about 70 per cent of the short term trade credit is denominated in US dollars, 14 per cent in yen, 13 per cent in Euro and the balance in other currencies.

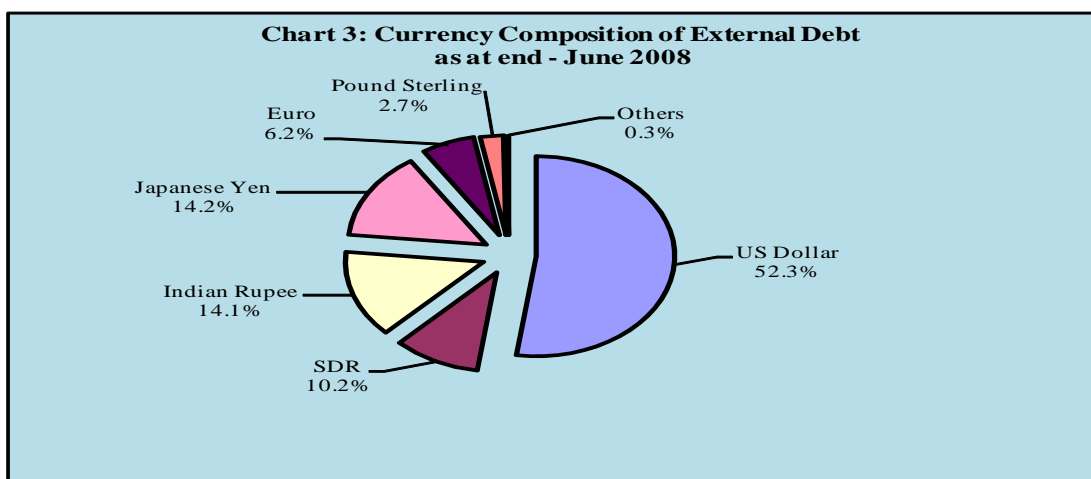
Looking at the overall external debt position, the US Dollar continues to remain the predominant currency accounting for 52.3 per cent of the total external debt stock as at the end of June 2008, followed by the Japanese yen (14.2 per cent), Indian rupee (14.1 per cent) and SDR (10.2 per cent) (Table 4 and Chart 3). The share of Euro has seen a rise from 4.0 per cent as at end-March 2007 to 6.2 per cent as at end-June 2008.

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

Currency	As at end March				As at end June
	2005	2006	2007	2008	2008
(1)	(2)	(3)	(4)	(5)	(6)
US Dollar	48.0	49.2	52.0	51.1	52.3
SDR	14.2	13.7	12.0	10.2	10.2
Indian Rupee	19.6	18.9	17.7	14.6	14.1
Japanese Yen	10.5	10.9	11.6	14.8	14.2
Euro	4.6	4.4	4.0	6.1	6.2
Pound Sterling	2.6	2.6	2.4	2.9	2.7
Others	0.5	0.3	0.3	0.3	0.3
Total	100.0	100.0	100.0	100.0	100.0

Notes: 1. Currency composition as at end-March 2008 and end-June 2008 incorporates the original currency composition of short term debt unlike in the previous years where the entire short term debt has been taken to be denominated in US dollars.

2. Currency composition of short term debt outstanding is estimated on the basis of the original currency composition of short term debt inflows during 2007-08.



6. Indicators of Debt Sustainability

The external debt sustainability indicators of India are set out in Table 5.

- The share of concessional debt in total external debt declined to 19.3 per cent at end-June 2008 from 19.9 per cent at end-March 2008 reflecting the continuing increase in non-concessional private debt in India's external debt stock.
- Reflecting the rise in short term debt during the quarter, the ratio of short-term to total debt and short term debt to reserves has risen to 20.8 per cent and 14.7 per cent at end June 2008 from 19.9 per cent and 14.1 per cent at end March 2008, respectively.
- India's foreign exchange reserves exceeded the external debt by US \$ 90.8 billion providing a cover of 141.0 per cent to the external debt stock at the end of June 2008.
- Based on the revised external debt outstanding as at end-March 2008, external debt to GDP is placed at 18.7 per cent at end-March 2008 as compared with 17.8 per cent at end-March 2007.
- The debt service ratio is placed at 3.9 per cent during April-June 2008 as against 5.4 per cent during 2007-08 and a double-digit figure till 2003-04.

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	18.5	5.9^	106.4	30.9	12.5	13.3
2005-06	138.1	17.2	10.1#	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	220.7	18.7	5.4	140.3	19.9	14.1	19.9
Apr-Jun 2008	221.3	-	3.9	141.0	19.3	14.7	20.8

* 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 6.4 % with the exclusion of IMD repayments of US \$ 7.1 billion and pre payment of external debt of US \$ 23.5 million.

In absolute terms, the debt service payments amounted to US \$ 3.2 billion during April-June 2008 (Table 6). During the quarter, around 62.4 per cent of debt service payments, inclusive of principal and interest, were on account of ECBs followed by 25.7 per cent in respect of external assistance.

Table 6: India's External Debt Service Payments**(US \$ million)**

Item	1990-91	2000-01	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. External Assistance	2,315	3,444	6,983	2,855	2,652	2,904	3,241	816
Repayment	1,187	2,338	6,193	2,129	1,945	1,922	2,099	550
Interest	1,128	1,106	790	726	707	982	1,142	266
2. External Commercial								
Borrowings	3,414	7,073	10,164	4,530	14,839	6,819	11,317	1,978
Repayment	2,004	5,378	8,045	3,571	11,824	4,236	6,119	1,030
Interest	1,410	1,695	2,119	959	3,015	2,583	5,198	948
3. I.M.F.	778	26	0	0	0	0	0	0
Repayment	644	26	0	0	0	0	0	0
Interest	134	0	0	0	0	0	0	0
4. NRI Deposits								
Interest	1,282	1,661	1,642	1,353	1,497	1,969	1,813	348
5. Rupee Debt Services								
Repayment	1,193	617	376	417	572	162	121	30
6. Total Debt Service (1 to 5)	8,982	12,821	19,165	9,155	19,560	11,854	16,492	3,172
Repayment	5,028	8,359	14,614	6,117	14,341	6,320	8,339	1,610
Interest	3,954	4,462	4,551	3,038	5,219	5,534	8,153	1,562
7. Current Receipts #	25,479	77,467	119,239	154,123	194,170	242,519	302,964	81,282
8. Debt Service Ratio (6/7) (%)	35.3	16.6	16.1	5.9	10.1	4.8	5.4	3.9

Current Receipts Minus Official Transfers; *: April-June 2008.

Source: India's External Debt: A Status Report, Gol, August 2008; Reserve Bank of India

7. Cross Country Comparison

Comparing the cross country data on external debt provided by the World Bank in the Global Development Finance, 2008 for the year 2006 for the top twenty debtor countries of the developing world reveal the following (Table 7):

- 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 7: 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	12.2	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	2.0	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	46.6	18.4	54.8	2.0	32.2
15. Malaysia	53	36.0	4.0	157.8	8.4	22.5
16. Ukraine	50	47.6	18.1	44.8	3.6	30.8
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	38	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, 2008.

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