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India's External Debt as at the end of March 2010

As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India and those for the quarters ending September and December by the Ministry of Finance, Government of India. The external debt data are released with a lag of one quarter. The external debt data, as compiled in the standard format, as at end-March 2010 in Rupees and US dollar terms and revised data for the earlier quarters are set out in [Statement 1](#) and [2](#), respectively. The major developments relating to India's external debt as at end-March 2010 are presented in the following paragraphs.

Major Highlights

- (i) India's external debt, as at end-March 2010, was placed at US \$ 261.4 billion (18.9 per cent of GDP) recording an increase of US \$ 36.9 billion or 16.5 per cent over the end-March 2009 level on account of significant increase in IMF liabilities due to additional allocations of SDR, commercial borrowings, NRI deposits and short-term trade credits.
- (ii) Excluding the valuation effects due to depreciation of US dollar against other major international currencies and Indian Rupee, the stock of external debt has increased by US\$ 30.4 billion over the stock as at end-March 2009.
- (iii) The share of commercial borrowings stood highest at 27.2 per cent as at end-March 2010 followed by short-term debt (20.1 per cent), NRI deposits (18.4 per cent) and multilateral debt (16.3 per cent).
- (iv) The debt service ratio increased to 5.5 per cent during 2009-10 as compared to 4.6 per cent during 2008-09.
- (v) Based on residual maturity, short-term debt accounted for 41.2 per cent of the total external debt as at end-March 2010. Whereas the share of short-term debt, by original maturity, was 20.1 per cent of the total external debt stock.
- (vi) The ratio of short-term debt to foreign exchange reserves at 18.8 per cent as at end-March 2010 was higher compared to 17.2 per cent as at end-March 2009.
- (vii) The US dollar accounted for 58.2 per cent of the total external debt stock as at end-March 2010 followed by Indian rupee (13.8 per cent).
- (viii) India's foreign exchange reserves provided a cover of 106.7 per cent to the external debt stock at the end of March 2010 as compared with 112.2 per cent as at end-March 2009.

1. India's External Debt as at end-March 2010

- (i) India's external debt, as at end-March 2010, was placed at US\$ 261.4 billion (18.9 per cent of GDP) recording an increase of US\$ 36.9 billion or 16.5 per cent over the end-March 2009 level on account of significant increase in IMF liabilities due to additional allocations of SDRs by the IMF, commercial borrowings, NRI deposits and short-term trade credits.
- (ii) The long-term debt at US\$ 209.0 billion and short-term debt at US\$ 52.4 billion accounted for 79.9 per cent and 20.1 per cent, respectively, of the total external debt as at end-March 2010.
- (iii) The share of commercial borrowings continued to be highest at 27.2 per cent in the total external debt as at end-March 2010 followed by short-term debt (20.1 per cent), NRI deposits (18.4 per cent) and multilateral debt (16.3 per cent) (Table 1).

Table 1: External Debt by Component

(US \$ million)								
Item	End- March							
	1991	1998	2005	2006	2007	2008	2009	2010 P
1	2	3	4	5	6	7	8	9
1. Multilateral	20,900	29,553	31,744	32,620	35,337	39,490	39,538	42,733
	(24.9)	(31.6)	(23.7)	(23.4)	(20.5)	(17.6)	(17.6)	(16.3)
2. Bilateral	14,168	16,969	17,034	15,761	16,065	19,708	20,613	22,596
	(16.9)	(18.1)	(12.7)	(11.3)	(9.3)	(8.8)	(9.2)	(8.6)
3. IMF	2,623	664	1,029	981	1,029	1,120	1,018	6,041
	(3.1)	(0.7)	(0.8)	(0.7)	(0.6)	(0.5)	(0.5)	(2.3)
4. Trade Credit	4,301	6,526	5,022	5,420	7,165	10,328	14,490	16,878
	(5.1)	(7.0)	(3.7)	(3.9)	(4.2)	(4.6)	(6.5)	(6.5)
5. ECBs	10,209	16,986	26,405	26,452	41,443	62,334	62,413	70,986
	(12.2)	(18.2)	(19.7)	(19.0)	(24.0)	(27.8)	(27.8)	(27.2)
6. NRI Deposits	10,209	11,913	32,743	36,282	41,240	43,672	41,554	48,092
	(12.2)	(12.7)	(24.4)	(26.1)	(23.9)	(19.5)	(18.5)	(18.4)
7. Rupee Debt	12,847	5,874	2,302	2,059	1,951	2,017	1,527	1,657
	(15.3)	(6.3)	(1.7)	(1.5)	(1.1)	(0.9)	(0.7)	(0.6)
8. Long-term Debt (1to 7)	75,257	88,485	116,279	119,575	144,230	178,669	181,153	208,983
	(89.8)	(94.6)	(86.8)	(86.0)	(83.7)	(79.6)	(80.7)	(79.9)
9. Short-term Debt	8,544	5,046	17,723	19,539	28,130	45,738	43,362	52,471
	(10.2)	(5.4)	(13.2)	(14.0)	(16.3)	(20.4)	(19.3)	(20.1)
Total (8+9)	83,801	93,531	134,002	139,114	172,360	224,407	224,515	261,454
	(100)	(100)	(100.0)	(100)	(100)	(100)	(100)	(100)
P: Provisional								
IMF: International Monetary Fund; ECBs: External Commercial Borrowings; NRI: Non-Resident Indian								
Note: Figures in parentheses are percentage to total external debt.								
Source: Ministry of Finance, Government of India and Reserve Bank of India.								

2. Valuation Changes

- (i) The valuation effect reflecting the depreciation of the US dollar against other major international currencies and Indian rupee resulted in an increase in India's external

debt by US\$ 6.6 billion during 2009-10. This implies that excluding the valuation effects, the stock of external debt as at end-March 2010 would have increased by US\$ 30.4 billion over the level at end-March 2009.

- (ii) Compared with the previous quarter (end-December 2009), the valuation effect reflecting the appreciation of the US dollar against other major international currencies and Indian rupee resulted in a decline of US\$ 1.0 billion in India's external debt. This implies that excluding the valuation effects, the stock of external debt as at end-March 2010 would have increased by US\$ 10.6 billion over the level at end-December 2009 (Table 2).

	External debt end-March 2010	Total Variation over end-March 2009	Valuation Effects	Variation net of Valuation Effect
I	2,61,454	36,939	6,587	30,351
II	2,61,454	9,688	-956	10,644

3. Components of External Debt

- (i) The loans under external assistance (multilateral and bilateral debt) increased by US\$ 5.2 billion during 2009-10 compared with a lower increase of US\$ 1.0 billion during the previous year (Table 3).

Item	Outstanding at the end-of			Absolute variation		Percentage variation	
	Mar-08	Mar-09	Mar-10 P	Mar-08 to Mar-09	Mar-09 to Mar-10	Mar-08 to Mar-09	Mar-09 to Mar-10
1	2	4	4	5	6	7	8
1. Multilateral	39,490	39,538	42,733	48	3,195	0.1	8.1
2. Bilateral	19,708	20,613	22,596	905	1,983	4.6	9.6
3. IMF	1,120	1,018	6,041	-102	5,023	-9.1	493.4
4. Export Credit	10,328	14,490	16,878	4,162	2,388	40.3	16.5
5. Commercial Borrowings	62,334	62,413	70,986	79	8,573	0.1	13.7
6. NRI Deposits	43,672	41,554	48,092	-2,118	6,538	-4.8	15.7
7. Rupee Debt	2,017	1,527	1,657	-490	130	-24.3	8.5
8. Short term Debt	45,738	43,362	52,471	-2,376	9,109	-5.2	21.0
<i>Of which</i> Short term trade credit	41,901	39,964	47,615	-1,937	7,651	-4.6	19.1
Total Debt	2,24,407	2,24,515	2,61,454	108	36,939	0.05	16.5
Memo Items							
A. Long-Term Debt	1,78,669	1,81,153	2,08,983	2,484	27,830	1.4	15.4
B. Short-Term Debt	45,738	43,362	52,471	-2,376	9,109	-5.2	21.0
P: Provisional							
Source: Ministry of Finance, Government of India and Reserve Bank of India							

- (ii) The increase in IMF liability at US\$ 6.0 billion as at end-March 2010 was due to additional allocation to SDRs by the IMF amounting to US \$ 4.7 billion under the

general allocation on August 28, 2009 and US\$ 0.3 billion under the special allocation on September 9, 2009.

- (iii) Trade credits (both long-term and short-term) increased, by US \$ 10.0 billion, as at end-March 2010 compared to US\$ 2.2 billion over the level at end-March 2009.
- (iv) The commercial borrowings increased by US\$ 8.6 billion as at end-March 2010 over its level as at end-March 2009 as compared to a negligible increase during the corresponding period of the previous year.
- (v) The short-term debt increased by US\$ 9.1 billion to US\$ 52.5 billion as at end-March 2010 as compared to US\$ 43.4 billion as at end-March 2009 mainly on account of rise in short-term trade credits.
- (vi) Outstanding NRI deposits at US \$ 48.1 billion as at end-March 2010 increased by US\$ 6.5 billion over the level as at end-March 2009 mainly on account of valuation effects .

4. Currency Composition of India's External Debt

- (i) The currency composition of India's external debt consists of major international currencies such as US Dollar, Japanese Yen, Euro, Pound Sterling, Special Drawing Rights (SDR) and the domestic currency i.e., Indian Rupee.
- (ii) The US Dollar denominated debt continues to be the largest with a share of 58.2 per cent in the total external debt as at end-March 2010. The share of Indian rupee in the total external debt stock accounted for 13.8 per cent as at end-March 2010 followed by Japanese yen (11.4 per cent), and SDR (10.7 per cent). The share of Euro accounted for 3.6 per cent as at end-March 2010 (Table 4).

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

Currency	As at end-March					
	2005	2006	2007	2008	2009	2010
1	2	3	4	5	6	7
US Dollar	47.7	48.8	51.1	55.3	54.1	58.2
Indian Rupee	19.4	18.8	18.5	16.2	15.4	13.8
Japanese Yen	10.4	10.9	11.4	12.0	14.3	11.4
SDR	14.9	14.3	12.4	10.5	9.8	10.7
Euro	4.6	4.4	3.9	3.5	4.1	3.6
Pound Sterling	2.6	2.6	2.4	2.2	2.0	1.8
Others	0.4	0.2	0.3	0.3	0.3	0.5
Total	100	100	100	100	100	100

Note: 1. Currency composition as at end-March 2008, end-March 2009 and end-March 2010 incorporates the original currency composition of short-term debt; in the previous years, the entire short-term debt was taken to be denominated in US dollars.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

5. Instrument-wise Classification of External Debt

- (i) The instrument-wise classification of India's external debt across the borrower category reveals that loans accounted for 49.0 per cent of total debt outstanding as at end-March 2010 as compared to 52.9 per cent as at end-March 2009 (Table 5).
- (ii) The share of trade credit (long-term and short-term) at 19.0 per cent as at end-March 2010 recorded a marginal increase as compared to 18.6 per cent as at end-March 2009.
- (iii) The share of currency and deposits at 18.7 per cent of the total India's external debt as at end-March 2010 showed a marginal decline as against 18.8 per cent as at end-March 2009.

Table 5: Instrument-wise Classification of External Debt Outstanding (US\$ million)			
Sr. No.	Borrower	End-March 2009	End-March 2010
1	2	3	4
A.	Government (1+2+3)	55,874	67,065
1	Short-Term	939	1,519
	(i) Money Market Instruments	939	1,519
2	Long-term {(i)+(ii)+(iii)}	53,917	59,506
	(i) Bonds and Notes	963	3,026
	(ii) Loans	51,680	55,101
	(iii) Trade Credit	1,274	1,379
3	Other debt liabilities	1,018	6,041
	(i) IMF	1,018	6,041
B.	Monetary Authority	764	695
1.	Short-term	764	695
	(i) Currency and Deposits	764	695
C.	Non-Government (1+2)	1,67,877	1,93,694
1	Short-Term {(i)+(ii)}	41,659	50,257
	(i) Money Market Instruments	1,695	2,643
	(ii) Trade Credit	39,964	47,615
2	Long-term {(i)+(ii)+(iii)+(iv)}	1,26,218	1,43,437
	(i) Bonds and Notes	16,890	21,591
	(ii) Loans	67,142	73,107
	(iii) Currency and Deposits	41,554	48,092
	(iv) Trade Credit	632	647
	Total External Debt (A+B+C)	2,24,515	2,61,454

Source: Ministry of Finance, Government of India and Reserve Bank of India.

6. External Debt by Residual Maturity

- (i) While external debt is generally compiled in terms of original maturity, analysing the external debt, in particular short term debt in terms of residual maturity is important from the point of view of foreign exchange liquidity management and to ascertain the total foreign exchange outgo on account of debt service payments in the immediate future.

- (ii) 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. The balance constitutes the long-term debt by residual maturity.
- (iii) The repayments due within the next one year under medium and long-term debt constitute 51.3 per cent of the total short-term debt by residual maturity as at end-March 2010.
- (iv) Based on residual maturity, the short-term debt accounted for 41.2 per cent of total external debt as at end-March 2010. The ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 38.6 per cent at end-March 2010 (Table 6).

Table 6: Residual Maturity of External Debt Outstanding as at End-March 2010

(US \$ million)

Components	Short-term up to one year	Long-term			Total (2) to (5)
		1 to 2 years	2 to 3 years	More than 3 years	
1	2	3	4	5	6
1. Sovereign Debt (long-term)	4,188	4,304	4,730	52,322	65,544
2. External Commercial Borrowings (including trade credit)	12,954	14,414	16,566	51,412	95,346
3. NRI deposits {(i)+(ii)+(iii)}	38,029	5,389	3,384	1,290	48,092
(i) FCNR(B)	11,197	1,704	1,074	344	14,318
(ii) NR(E)RA	21,459	2,425	1,924	554	26,362
(iii) NRO	5,373	1260	385	393	7,412
4. Short-term Debt* (Original maturity)	52,471	-	-	-	52,471
Total (1 to 4)	1,07,642	24,107	24,680	1,05,024	2,61,453
<i>Memo Items</i>					
Short-term debt (Residual maturity as per cent of total external debt)	41.2				
Short-term debt (Residual maturity as per cent of Reserves)	38.6				

* Also includes short-term component of sovereign debt amounting to US\$ 1,519 million.

Note: 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, 2010.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

7. Government and Non-Government External Debt

- (i) Government (Sovereign) external debt stood at US\$ 67.1 billion as at end-March 2010 as against US\$ 54.8 billion as at end-March 2009. The share of Government external debt in the total external debt increased by 25.7 per cent as at end-March 2010 from 24.4 per cent as at end-March 2009.
- (ii) The share of non-Government debt in total external debt has increased steadily over the period. As at end-March 2010, the share of non-Government debt in total external debt, however, declined to 74.3 per cent from 75.6 per cent at end-March 2009 (Table 7).

Table 7: Government and Non-Government External Debt**(US \$ million)**

Sr. No.	Components	End-March						
		2004	2005	2006	2007	2008	2009	2010
1	2	3	4	5	6	7	8	9
A.	Sovereign Debt (I+II)	45,682	47,697	46,259	49,360	58,068	55,874	67,065
	<i>(As a percentage of GDP)</i>	<i>(7.2)</i>	<i>(6.4)</i>	<i>(5.5)</i>	<i>(5.0)</i>	<i>(4.7)</i>	<i>(5.5)</i>	<i>(4.8)</i>
I.	External Debt on Government Account under External Assistance	41,142	43,686	43,510	46,155	52,538	51,816	55,232
II.	Other Government External Debt @	4,540	4,011	2,749	3,205	5,530	4,058	11,833
B.	Non-Government Debt #	66,972	86,305	92,855	1,23,000	1,66,339	1,68,641	1,94,389
	<i>(As a percentage of GDP)</i>	<i>(10.8)</i>	<i>(11.7)</i>	<i>(11.2)</i>	<i>(12.5)</i>	<i>(13.4)</i>	<i>(15.0)</i>	<i>(14.1)</i>
C.	Total External Debt (A+B)	1,12,654	1,34,002	1,39,114	1,72,360	2,24,407	2,24,515	2,61,454
	<i>(As a percentage of GDP)</i>	<i>(18.0)</i>	<i>(18.1)</i>	<i>(16.7)</i>	<i>(17.5)</i>	<i>(18.1)</i>	<i>(20.5)</i>	<i>(18.9)</i>

@: Other Government external debt includes Defence Debt, Investment in Treasury Bills/ Government Securities by FIIs, Foreign Central Banks and International Institutions and IMF.

#: Includes external debt of Monetary Authority.

Source: Ministry of Finance, Government of India and Reserve Bank of India

8. Select Indicators of External Debt

- (i) The ratio of external debt to GDP declined to 18.9 per cent as at end-March 2010 from 20.5 per cent as at end-March 2009 (Table 8).
- (ii) The debt service ratio increased to 5.5 per cent during 2009-10 as compared to 4.6 per cent during 2008-09.
- (iii) India's foreign exchange reserves provided a cover of 106.7 per cent to the external debt stock at the end of March 2010 as compared to 112.2 per cent as at end-March 2009.
- (iv) The share of concessional debt in total external debt declined to 16.8 per cent as at end-March 2010 from 18.7 per cent at end-March 2009 reflecting the sustainable increase in non-concessional private debt in India's external debt stock.
- (v) The ratio of short-term debt to foreign exchange reserves at 18.8 per cent as at end-March 2010 was higher than that of 17.2 per cent in the previous year.
- (vi) The share of short-term debt in total debt increased to 20.1 per cent at end-March 2010 from 19.3 per cent at end-March 2009.

Table 8: India's Key External Debt Indicators

Year	External Debt	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
	(US \$ billion)	(per cent)	(per cent)	(per cent)	(per cent)	(per cent)	(per cent)
1	2	3	4	5	6	7	8
1990-91	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1995-96	93.7	27.0	26.2	23.1	44.7	23.2	5.4
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	18.0	16.1**	101.2	35.8	3.9	4.0
2004-05	133.0	18.6	5.9^	106.4	30.7	12.5	13.3
2005-06	138.1	17.3	10.1#	109.8	28.4	12.9	14.1
2006-07	172.4	18.2	4.7	115.6	23.0	14.1	16.3
2007-08	224.4	18.1	4.8	138.0	19.7	14.8	20.4
2008-09	224.5	20.5	4.6	112.2	18.7	17.2	19.3
2009-10P	261.4	18.9	5.5	106.7	16.8	18.8	20.1

P: Provisional

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

** Works out to 8.2 per cent with the exclusion of pre payment of external debt of US \$ 3,797 million and redemption of Resurgent India Bonds (RIBs) of US \$ 5,549 million.

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

works out to 6.3 per cent with the exclusion of India Millennium Deposits (IMDs) repayments of US \$ 7.1 billion and pre payment of external debt of US \$ 23.5 million.

Source: Ministry of Finance, Government of India and Reserve Bank of India

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