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RESERVE BANK OF INDIA

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September 30, 2009

## India's External Debt as at the end of June 2009

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 of India and for the quarters ending September and December are compiled and released by the Ministry of Finance, Government of India. The external debt statistics are released with a lag of one quarter. A detailed account of external debt as compiled in the standard format as at end-June 2009 in rupee and US dollar terms and revised data for the earlier quarters are set out in [Statement 1](#) and [2](#), respectively.

### Major Highlights of External Debt

- (i) India's external debt stood at US\$ 227.7 billion at the end of June 2009. The increase in external debt by US\$ 3.7 billion over end-March 2009 level was mainly due to increase in long term external debt, particularly Non-Resident Indian (NRI) deposits.
- (ii) Excluding the valuation effects due to depreciation of US dollar against other major currencies and Indian rupee during the first quarter of the financial year 2009-10, the stock of external debt as at end-June 2009 would have declined by US\$ 1.3 billion as compared to the stock as at end-March 2009.
- (iii) The share of US dollar denominated debt in the total external debt declined to 54.4 per cent as at end-June 2009 from 56.3 per cent as at end-March 2009.
- (iv) Based on the original maturity, the share of short-term to total debt declined to 17.8 per cent at end-June 2009 from 19.5 per cent at end-March 2009.
- (v) Based on the residual maturity, the short-term debt accounted for 39.1 per cent of the total external debt at end-June 2009.
- (vi) The share of non-Government debt in the total external debt declined marginally to 74.8 per cent as at end-June 2009 from 75.5 per cent as at end-March 2009.
- (vii) The debt service ratio declined steadily during the last three years and stood at 4.6 per cent as at end-March 2009. The debt service ratio for April-June 2009 worked out to 5.5 per cent.

### 1. India's External Debt as at the end of June 2009

- (i) India's external debt was placed at US\$ 227.7 billion at the end of June 2009 as compared to US\$ 224.0 billion as at end of March 2009. The increase in the external debt outstanding as at end-June 2009 by US\$ 3.7 billion or 1.7 per cent over the end-March 2009 level was mainly due to the increase in long term external debt, particularly Non-Resident Indian (NRI) deposits (Table 1 and Chart 1). The external debt outstanding as at end-June 2009 increased by US\$ 3.4 billion or 1.5 per cent over the end-June 2008 level.

Table 1: External Debt Outstanding					
(US\$ billion)					
At end of	Total External Debt	Variation			
		Over corresponding Quarter of the Previous Year		Over the Previous Quarter	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
<b>March 2007</b>	<b>171.3</b>	<b>33.2</b>	<b>24.0</b>	<b>10.9</b>	<b>6.8</b>
June 2007	182.3	37.3	25.7	11.0	6.4
September 2007	195.6	45.0	29.8	13.3	7.3
December 2007	206.0	45.6	28.5	10.4	5.3
<b>March 2008</b>	<b>223.3</b>	<b>52.0</b>	<b>30.3</b>	<b>17.3</b>	<b>8.4</b>
June 2008	224.3	42.0	23.0	1.0	0.4
September 2008	223.4	27.8	14.2	-0.8	-0.4
December 2008	228.9	23.0	11.1	5.5	2.5
<b>March 2009 PR</b>	<b>224.0</b>	<b>0.6</b>	<b>0.3</b>	<b>-5.0</b>	<b>-2.2</b>
<b>June 2009 P</b>	<b>227.7</b>	<b>3.4</b>	<b>1.5</b>	<b>3.7</b>	<b>1.7</b>

P: Provisional; PR: Partially Revised.  
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 during the first quarter of the financial year 2009-10 resulted in an increase in the external debt by US\$ 5.0 billion as compared to the end-March 2009 level. This implies that excluding the valuation effect, the stock of external debt as at end-June 2009 would have declined by US\$ 1.3 billion over the end-March 2009 level.

## 3. Components of External Debt

- (i) By way of composition of external debt, the share of commercial borrowings (27.7 per cent) continued to be the highest followed by NRI deposits (19.6 per cent), multilateral debt (18.1 per cent), short-term debt (17.8 per cent) and bilateral debt (9.4 per cent) as at end-June 2009 (Table 2).

- (ii) The long-term debt at US\$ 187.1 billion and short-term debt at US\$ 40.6 billion accounted for 82.2 per cent and 17.8 per cent, respectively, of the total external debt as at end-June 2009.
- (iii) The increase in long-term debt by US\$ 6.7 billion as at end June 2009 was mainly due to the increase in NRI deposits.
- (iv) External commercial borrowings showed a marginal increase of US\$ 645 million over end-March 2009, mainly due to increase in commercial bank loans and FII investment in Government securities and corporate bonds.
- (v) Short-term debt at US\$ 40.6 billion, however, declined by US\$ 3.0 billion as at end-June 2009 as compared to the level of end-March 2009 mainly on account of decline in short-term trade credit (up to 6 months) (Table 3 and Chart 2).
- (vi) Short-term trade credit stood lower at US\$ 37.1 billion as at end-June 2009 as compared with US\$ 40.2 billion at end-March 2009.
- (vii) Outstanding NRI deposits at US\$ 44.6 billion as at end-June 2009 increased by US\$ 3.0 billion over the level at end-March 2009 on account of increase in inflows under NRI deposit schemes reflecting a positive influence of hike in ceiling interest rates in a phased manner during 2008-09.

<b>Table 2: External Debt by Component</b>									
(US \$ million)									
Item	End- March							End-June	
	1991	1998	2005	2006	2007	2008	2009 PR	2008	2009 P
1	2	3	4	5	6	7	8	9	10
1. Multilateral	20,900	29,553	31,744	32,620	35,337	39,490	39,538	39,644	41,236
	(24.9)	(31.6)	(23.9)	(23.6)	(20.6)	(17.7)	(17.7)	(17.7)	(18.1)
2. Bilateral	14,168	16,969	17,034	15,761	16,065	19,701	20,605	18,724	21,417
	(16.9)	(18.1)	(12.8)	(11.4)	(9.4)	(8.8)	(9.2)	(8.3)	(9.4)
3. IMF	2,623	664	0	0	0	0	0	0	0
	(3.1)	(0.7)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
4. Trade Credit	4,301	6,526	5,022	5,420	7,165	10,358	14,625	11,030	15,055
	(5.1)	(7.0)	(3.8)	(3.9)	(4.2)	(4.6)	(6.5)	(4.9)	(6.6)
5. ECBs	10,209	16,986	26,405	26,452	41,443	62,337	62,508	61,058	63,153
	(12.2)	(18.2)	(19.9)	(19.1)	(24.2)	(27.9)	(27.9)	(27.2)	(27.7)
6. NRI	10,209	11,913	32,743	36,282	41,240	43,672	41,554	42,612	44,579
	(12.2)	(12.7)	(24.6)	(26.3)	(24.1)	(19.6)	(18.6)	(19.0)	(19.6)
7. Rupee Debt	12,847	5,874	2,302	2,059	1,951	2,016	1,527	1,866	1,607
	(15.3)	(6.3)	(1.7)	(1.5)	(1.1)	(0.9)	(0.7)	(0.8)	(0.7)
<b>8. Long-term Debt (1to 7)</b>	<b>75,257</b>	<b>88,485</b>	<b>1,15,250</b>	<b>1,18,594</b>	<b>1,43,201</b>	<b>1,77,574</b>	<b>1,80,357</b>	<b>1,74,934</b>	<b>1,87,047</b>
	(89.8)	(94.6)	(86.7)	(85.9)	(83.6)	(79.5)	(80.5)	(78.0)	(82.2)
<b>9. Short-term Debt</b>	<b>8,544</b>	<b>5,046</b>	<b>17,723</b>	<b>19,539</b>	<b>28,130</b>	<b>45,738</b>	<b>43,596</b>	<b>49,330</b>	<b>40,641</b>
	(10.2)	(5.4)	(13.3)	(14.1)	(16.4)	(20.5)	(19.5)	(22.0)	(17.8)
<b>Total (8+9)</b>	<b>83,801</b>	<b>93,531</b>	<b>1,32,973</b>	<b>1,38,133</b>	<b>1,71,331</b>	<b>2,23,312</b>	<b>2,23,953</b>	<b>2,24,264</b>	<b>2,27,688</b>
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

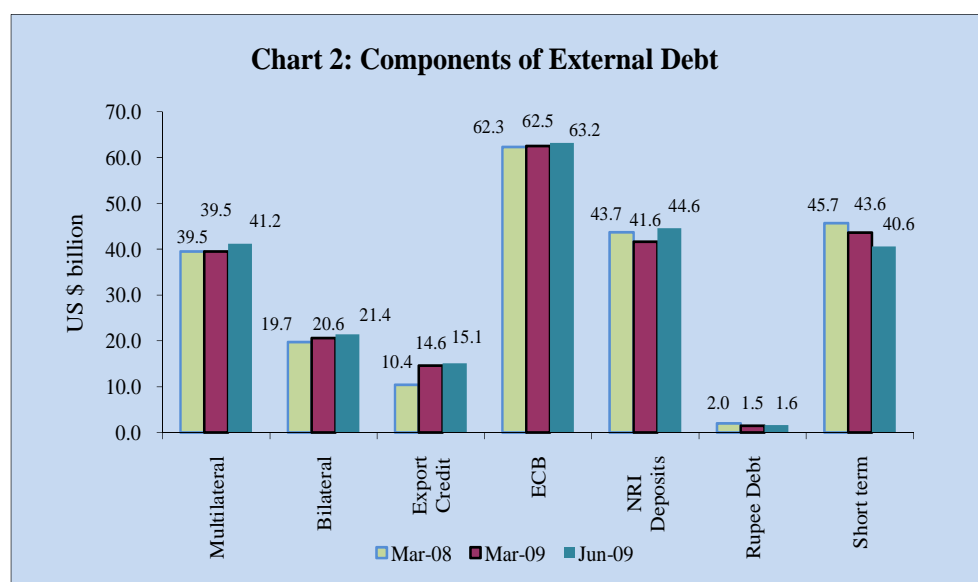
P : Provisional; PR: Partially Revised.

IMF: International Monetary Fund; ECBs: External Commercial Borrowings; NRI: Non-Resident Deposits  
Note: Figures in parentheses are percentage to total external debt.

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

Table 3: Variation in Components of External Debt							
Item	External Debt Outstanding at the end-of (US \$ million)			Absolute Variation (US \$ million)		Percentage Variation (per cent)	
	Mar 08	Mar 09 (PR)	Jun 09 (P)	Mar 09 over Mar 08	Jun 09 over Mar 09	Mar 09 over Mar 08	Jun 09 over Mar 09
1	2	3	4	5	6	7	8
1. Multilateral	39,490	39,538	41,236	48	1,698	0.1	4.3
2. Bilateral	19,701	20,605	21,417	904	812	4.6	3.9
3. IMF	-	-	-	-	-	-	-
4. Export Credit	10,358	14,625	15,054	4,267	429	41.2	2.9
5. Commercial Borrowing	62,337	62,508	63,153	171	645	0.3	1.0
6. NRI Deposits	43,672	41,554	44,579	-2,118	3,025	-4.8	7.3
7. Rupee Debt	2,016	1,527	1,607	-489	80	-24.3	5.2
8. Short term Debt	45,738	43,596	40,641	-2,142	-2,955	-4.7	-6.8
<i>of which:</i>							
(i) Short term trade credit	41,901	40,198	37,113	-1,703	-3,085	-4.1	-7.7
<b>Total Debt (1 to 8)</b>	<b>223,312</b>	<b>223,953</b>	<b>227,688</b>	<b>641</b>	<b>3,735</b>	<b>0.3</b>	<b>1.7</b>
Memo Items							
A. Long-Term Debt (1 to 7)	177,574	180,357	187,047	2,783	6,690	1.6	3.7
B. Short-Term Debt	45,738	43,596	40,641	-2,142	-2,955	-4.7	-6.8

P: Provisional PR: Partially Revised -: Nil  
Source: Ministry of Finance, Government of India and Reserve Bank of India.



#### 4. External Commercial Borrowings

- (i) The ECB approval for April-June 2009 stood lower at US\$ 2.7 billion as compared with US\$ 3.8 billion for the corresponding quarter of the previous year. As a result, there was a lower disbursement of ECB during April-June 2009 (Table 4).

**Table 4: External Commercial Borrowings****(US \$ million)**

Year	Approvals#	Gross Disbursement*	Amortisation*	Interest*	Total Servicing	ECB Debt Outstanding
1	2	3	4	5	6 (4+5)	7
1990-91	1,903	4,252	2,004	1,410	3,414	10,209
1991-92	2,127	3,133	1,677	1,153	2,830	11,715
1992-93	2,200	1,167	1,525	1,182	2,707	11,643
1993-94	2,585	2,913	1,978	1,254	3,232	12,363
1994-95	4,469	4,152	2,812	1,478	4,290	12,991
1995-96	6,286	4,252	3,868	1,380	5,248	13,873
1996-97	8,581	7,571	4,605	1,354	5,959	14,335
1997-98	8,712	7,371	3,550	1,384	4,934	16,986
1998-99	5,200	7,226	3,477	1,593	5,070	20,978
1999-00	3,398	3,187	4,147	1,653	5,800	19,943
2000-01	2,837	9,621	5,378	1,695	7,073	24,408
2001-02	2,653	2,684	4,107	1,456	5,563	23,320
2002-03	4,235	3,505	5,019	1,167	6,186	22,472
2003-04	6,671	5,225	8,045	2,119	10,164	22,007
2004-05	11,490	9,084	3,571	959	4,530	26,405
2005-06	17,175	14,343	11,584	3,165	14,749	26,452
2006-07	25,353	20,257	3,814	2,517	6,331	41,443
2007-08 PR	28,900	28,784	6,119	3,652	9,771	62,337
2008-09 PR	17,200	13,377	6,439	3,962	10,401	62,508
2008-09 (Apr-Jun)	3,775	2,356	1,100	944	2,044	61,058
2009-10 (Apr-Jun) P	2,685	1,848	2,115	856	2,973	63,153

P: Provisional; PR: Partially Revised;

\* : Revised; based on Balance of Payments data.

# : Based on date of agreement of the loan which may differ from the date of granting the loan registration number by the RBI. Ceiling on ECB approvals is fixed on the basis of the latter, which may either be after or before the date of agreement of the loan. Hence, there may be some difference between the amount shown under approvals in the table and the amount of ceiling fixed for a particular year.

Note: Disbursements during 1998-99 and 2000-01 include RIBs (US\$ 4.2 billion) and IMDs (US\$ 5.5 billion), respectively. Debt service payments during 2003-04 and 2005-06 include redemption of RIBs and IMDs, respectively.

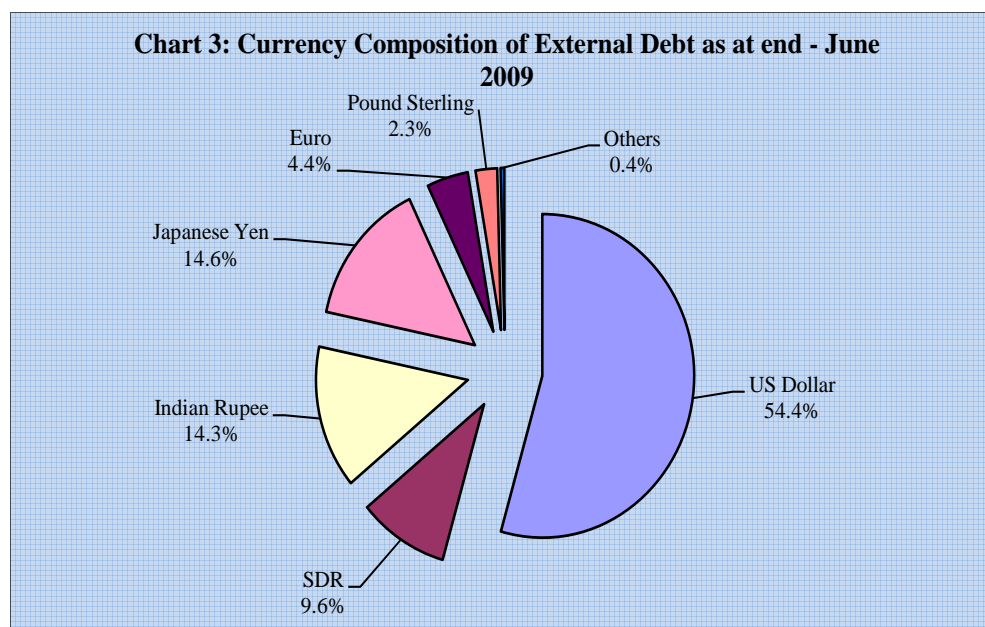
## 5. Currency Composition

- (i) 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. It 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 dollar, Japanese Yen, Euro, Pound Sterling, Special Drawing Rights (SDR) and the domestic currency *i.e.*, Indian Rupee.
- (ii) The US dollar continues to remain the predominant currency accounting for 54.4 per cent of the total external debt stock as at end-June 2009. However, there was a decline in the share of US dollar dominated external debt as compared to its share in the external debt as at end-March 2009.

- (iii) There was an increase in the share of Japanese yen (14.6 per cent), Indian rupee (14.3 per cent), SDR (9.6 per cent) and Euro (4.4 per cent) in the total external debt as at end-June 2009 as compared to its share in the external debt as at end-March 2009 (Table 5 and Chart 3).

<b>Table 5 : Currency Composition of India's External Debt</b>						
<b>(Percentage Share in Total External Debt)</b>						
Currency	End-March					End-June
	2005	2006	2007	2008	2009 PR	2009 P
1	2	3	4	5	6	7
US Dollar	48.0	49.2	51.4	54.4	56.3	54.4
SDR	14.2	13.7	11.9	10.0	9.4	9.6
Indian Rupee	19.6	18.9	18.6	17.5	13.6	14.3
Japanese Yen	10.5	10.9	11.5	12.0	14.3	14.6
Euro	4.6	4.4	3.9	3.6	4.1	4.4
Pound Sterling	2.6	2.6	2.4	2.2	1.9	2.3
Others	0.5	0.3	0.3	0.3	0.4	0.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

P: Provisional; PR: Partially Revised  
 Source: Ministry of Finance, Government of India and Reserve Bank of India



## 6. Instrument-wise Classification of External Debt

- (i) The instrument-wise classification of India's external debt as at end-June 2009 reveals that the share of 'loans' in the total external debt outstanding accounted for 53.8 per cent as compared to 53.1 per cent as at end-March 2009 (Table 6).
- (ii) The group 'currency and deposits' and 'trade credits' together accounted for 48.6 per cent of the total non-Government debt as at end-June 2009 as compared with 49.0 per cent as at end-March 2009.

<b>Table 6: Instrument-wise Classification of External Debt Outstanding</b> (US\$ million)			
<b>Sr. No.</b>	<b>Borrower</b>	<b>End-March 2009 PR</b>	<b>End-June 2009 P</b>
1	2	3	4
<b>A.</b>	<b>Government (1+2)</b>	<b>54,856</b>	<b>57,446</b>
1.	Short-Term	939	1,248
	(i) Money Market Instruments	939	1,248
2.	Long-term {(i)+(ii)+(iii)}	53,917	56,199
	(i) Bonds and Notes	963	1,275
	(ii) Loans	51,680	53,605
	(iii) Trade Credits	1,274	1,319
<b>B.</b>	<b>Monetary Authority</b>	<b>764</b>	<b>769</b>
1.	Short-term	764	769
	(i) Currency and Deposits	764	769
<b>C.</b>	<b>Non-Government (1+2)</b>	<b>1,68,334</b>	<b>1,69,472</b>
1.	Short-Term {(i)+(ii)}	41,893	38,624
	(i) Money Market Instruments	1,695	1,512
	(ii) Trade Credits	40,198	37,113
2.	Long-term {(i)+(ii)+(iii)+(iv)}	1,26,440	1,30,848
	(i) Bonds and Notes	16,932	16,779
	(ii) Loans	67,232	68,780
	(iii) Currency and Deposits	41,554	44,579
	(iv) Trade Credits	722	710
	<b>Total External Debt (A+B+C)</b>	<b>2,23,953</b>	<b>2,27,688</b>
P: Provisional; PR: Partially Revised			
Source: Ministry of Finance, Government of India and Reserve Bank of India			

## 7. Short-term Debt

- (i) The short-term debt has become an important component for measuring the liquidity and refinancing risks. In the recent years, efforts have been made to expand the coverage of short-term external debt. The data on short-term debt now includes suppliers' credit up to and above 180 days, FII investments in Government debt, investment by foreign central banks and international institutions in Treasury Bills and external liabilities of central banks and commercial banks.
- (ii) Short-term debt by original maturity as at end-June 2009 declined to US\$ 40.6 billion as against US\$ 43.6 billion as at end-March 2009 mainly due to decline in short-term trade credits.
- (iii) The share of trade related credits in total short-term debt stood at 91.3 per cent as at end-June 2009.

- (iv) The ratio of trade credits to imports declined to 13.6 per cent as at end-March 2009 as against 16.3 per cent as at end-March 2008 (Table 7).

<b>Table 7: Short-Term Debt by Original Maturity</b>							<b>(US \$ million)</b>	
<b>Components</b>		<b>End-March</b>				<b>End -June</b>		
		2005	2006	2007	2008	2009 PR	2008	2009 P
1		2	3	4	5	6	7	8
<b>A</b>	<b>Short-Term Debt</b>	<b>17,723</b>	<b>19,539</b>	<b>28,130</b>	<b>45,738</b>	<b>43,596</b>	<b>49,330</b>	<b>40,641</b>
	(a) Trade related credits *	16,271	19,399	25,979	41,901	40,198	46,270	37,113
	(i) above 6 months and upto 1year	7,529	8,696	11,971	22,884	23,346	24,361	23,882
	(ii) Upto 6 months	8,742	10,703	14,008	19,017	16,852	21,909	13,231
	(b) FII Investments in Govt Treasury Bills & other instruments	1,452	140	397	651	2,065	676	2,149
	(c) Investment in Treasury Bills by foreign central banks and international institutions etc.	-	-	164	155	105	149	104
	(d) External Debt Liabilities of:	-	-	1,590	3,031	1,228	2,235	1,275
	(i) Central Bank	-	-	501	1,115	764	975	769
	(ii) Commercial Bank	-	-	1,089	1,916	464	1,260	507
<b>B</b>	<b>Imports (during the year) #</b>	<b>1,18,908</b>	<b>1,57,056</b>	<b>1,90,670</b>	<b>2,57,789</b>	<b>2,94,587</b>	<b>80,545</b>	<b>64,775</b>
<b>C</b>	<b>Trade Credits to Imports (%)</b>	<b>13.7</b>	<b>12.4</b>	<b>13.6</b>	<b>16.3</b>	<b>13.6</b>	<b>-</b>	<b>-</b>

P: Provisional; PR: Partially Revised  
 \*: Data on short-term Trade Credits of less than six months in respect of suppliers' credit and FII investment in debt papers are included since end-March 2005.  
 #: On balance of payments basis  
 Source: Ministry of Finance, Government of India and Reserve Bank of India

## 8. 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 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) As at end-March 2009, the revised short-term debt by residual maturity stood at US\$ 87.5 billion, which has increased to US\$ 89.1 billion as at end-June 2009.
- (iv) Based on residual maturity, the short-term debt accounted for 39.1 per cent of total external debt as at end-June 2009. The ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 33.6 per cent at end-June 2009 (Table 8).

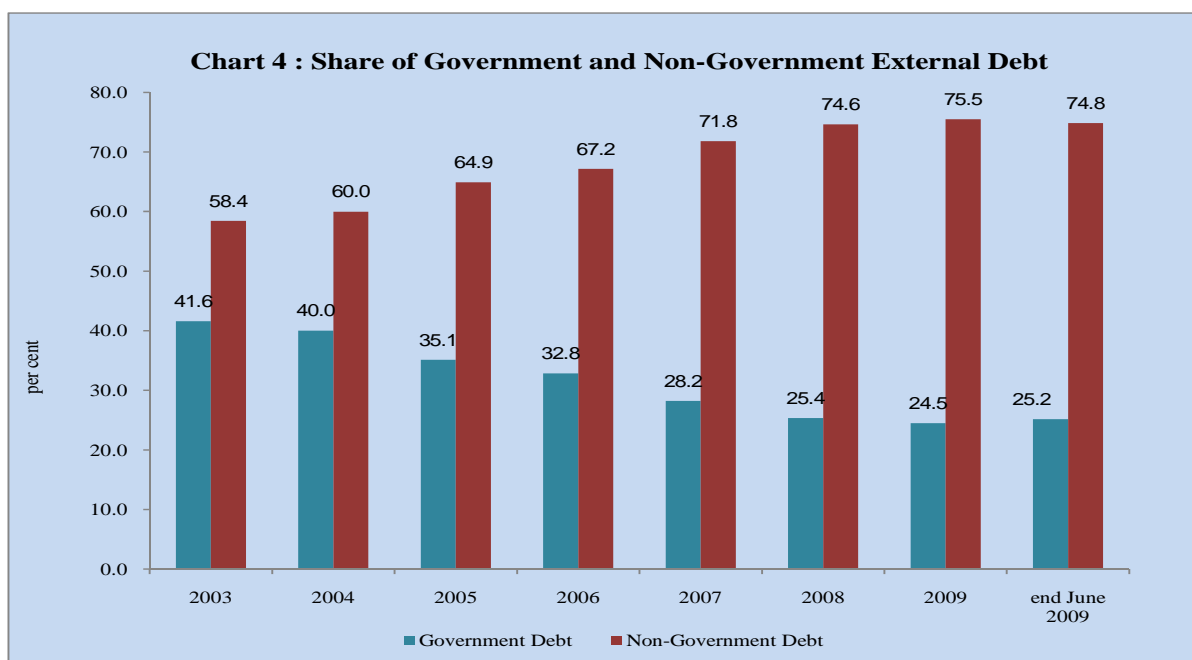


Table 8: Residual Maturity of External Debt Outstanding as at End-June 2009 (US \$ million)					
Components	Short-term	Long term			Total (2) to (5)
	Up to one year	1 to 2 years	2 to 3 years	More than 3 years	
1	2	3	4	5	6
1. Sovereign Debt	2,839	3,036	3,223	47,102	<b>56,200</b>
2. Commercial Borrowing (including trade credit)	10,124	13,174	14,929	48,041	<b>86,268</b>
3. NRI deposits {(i)+(ii)+(iii)}	35,526	4,466	3,526	1,061	<b>44,579</b>
(i) FCNR(B)	10,931	2,032	925	126	14,014
(ii) NR(E)RA	20,386	1,996	1,871	699	24,952
(iii) NRO	4,210	438	730	236	5,613
4. Short-Term Debt* (Original maturity)	40,641	-	-	-	<b>40,641</b>
<b>Total (1 to 4)</b>	<b>89,130</b>	<b>20,676</b>	<b>21,678</b>	<b>96,204</b>	<b>227,688</b>
<i>Memo Items</i>					
Short-term debt (Residual maturity as per cent of total debt)	<b>39.1</b>				
Short-term debt (Residual maturity as per cent of Reserves)	<b>33.6</b>				
*: Also includes short-term component of sovereign debt amounting to US\$ 1,114 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 June 30, 2009. Source: Ministry of Finance, Government of India and Reserve Bank of India.					

### 9. Government and Non-Government External Debt

- (i) Government (Sovereign) external debt stood at US\$ 57.5 billion as at end-June 2009, while non-Government debt amounted to US\$ 170.2 billion.
- (ii) The share of non-Government debt in total external debt has increased steadily since March 2003. However, the share of non-Government debt in total external debt declined to 74.8 per cent as at end-June 2009 as compared to 75.5 per cent as at end-March 2009 (Table 9 and Chart 4).

Table 9: Government and Non-Government External Debt (US \$ million)							
Sr No.	Components	End-March					End -June
		2005	2006	2007	2008	2009	2009
1	2	3	4	5	6	7	9
<b>A.</b>	<b>Sovereign Debt (I+II)</b>	<b>46,668</b>	<b>45,278</b>	<b>48,331</b>	<b>56,947</b>	<b>54,856</b>	<b>57,446</b>
	(As a percentage of GDP)	(6.5)	(5.6)	(5.1)	(4.8)	(5.3)	-
I.	External Debt on Government Account under External Assistance	43,686	43,510	46,155	52,538	51,816	53,716
II.	Other Government External Debt @	2,982	1,768	2,176	4,409	3,040	3,730
<b>B.</b>	<b>Non-Government Debt #</b>	<b>86,305</b>	<b>92,855</b>	<b>123,000</b>	<b>166,365</b>	<b>169,097</b>	<b>170,242</b>
	(As a percentage of GDP)	(12.0)	(11.5)	(13.0)	(14.1)	(16.2)	-
<b>C.</b>	<b>Total External Debt (A+B)</b>	<b>1,32,973</b>	<b>1,38,133</b>	<b>1,71,331</b>	<b>2,23,312</b>	<b>223,953</b>	<b>2,27,688</b>
	(As a percentage of GDP)	(18.5)	(17.2)	(18.1)	(18.9)	(21.4)	-
@: Other Government external debt includes defence debt, investment in Treasury Bills/ Government securities by FIIs, foreign central banks and international institutions. #: Includes external debt of Monetary Authority. Source: Ministry of Finance, Government of India and Reserve Bank of India.							



## 10. Debt Service Payments

- (i) India's debt service ratio has improved progressively over the years owing to the combined effect of moderation in debt service payments and growth in external current receipts. The debt service ratio had declined from a peak of 35.3 per cent in 1990-91 to 5.9 per cent in 2004-05 but increased to 10.1 per cent during 2005-06 due to repayments relating to the India Millennium Deposits. The debt service ratio declined to 4.6 per cent during 2008-09. The debt service ratio for April-June 2009 stood at 5.5 per cent (Table 10).

Table 10: India's External Debt Service Payments								
(US \$ million)								
Sr. No.	Item	1990-91	2000-01	2005-06	2006-07	2007-08	2008-09	End-June 2009
1	2	3	4	5	6	7	8	9
1	External Assistance	2,315	3,444	2,652	2,942	3,241	3,381	862
	Repayment	1,187	2,338	1,945	1,960	2,099	2,372	620
	Interest	1,128	1,106	707	982	1,142	1,009	242
2	External Commercial Borrowings	3,414	7,073	14,839	6,331	9,771	10,401	2,973
	Repayment	2,004	5,378	11,824	3,814	6,119	6,439	2,115
	Interest	1,410	1,695	3,015	2,517	3,652	3,962	858
3	I.M.F.	778	26	0	0	0	0	0
	Repayment	644	26	0	0	0	0	0
	Interest	134	0	0	0	0	0	0
4	NRI Deposits Interest	1,282	1,661	1,497	1,969	1,813	1,547	393
5	Rupee Debt Services Repayments	1,193	617	572	162	121	101	23
6	Total Debt Service (1 to 5)	8,982	12,821	19,560	11,404	14,946	15,430	4,251
	Repayment	5,028	8,359	14,341	5,936	8,339	8,912	2,758
	Interest	3,954	4,462	5,219	5,468	6,607	6,518	1,493
7	Current Receipts #	25,479	77,467	1,94,170	2,42,811	3,14,014	3,37,095	77,427
	<b>Debt Service Ratio (6/7) (%)</b>	<b>35.3</b>	<b>16.6</b>	<b>10.1</b>	<b>4.7</b>	<b>4.8</b>	<b>4.6</b>	<b>5.5</b>

#: Current Receipts minus Official Transfers.  
Note: Debt service ratio is defined as total repayments of principal and interest on debt as a ratio of current receipts.  
Source: Ministry of Finance, Government of India and Reserve Bank of India

- (ii) Based on outstanding long-term debt, as at end-March 2009, the total debt service payments will be higher at US\$ 22.8 billion during 2012-13. The repayment of NRI deposits and FII investment in debt securities are not included in the projections. The projections do not include future debt service obligations arising out of fresh borrowings.
- (iii) At end-March 2009, the projected debt service payments for External Commercial Borrowings (ECBs) and Foreign Currency Convertible Bonds (FCCBs) revealed that the principal repayments between 2011-12 and 2012-13 would be higher (Table 11).

<b>Table 11: Projected Debt Service Payments</b>						
(US \$ million)						
Year	Long-Term Debt			Of which: ECBs and FCCBs		
	Principal	Interest	Total	Principal	Interest	Total
1	2	3	4	5	6	7
2009-10	11277	3093	14,370	7,842	1,363	9,204
2010-11	13059	3375	16,434	10,215	1,819	12,035
2011-12	16819	3817	20,636	13,627	2,257	15,884
2012-13	19131	3647	22,778	15,508	2,045	17,553
2013-14	13755	2523	16,278	10,221	949	11,170
2014-15	9213	2195	11,408	6,157	625	6,782
2015-16	7496	1924	9,420	4,132	472	4,604
2016-17	7331	1691	9,022	3,804	338	4,142
2017-18	6063	1462	7,525	2,404	226	2,629
2018-19	5543	1273	6,816	1,748	153	1,900

ECBs: External Commercial Borrowings; FCCBs: Foreign Currency Convertible Bonds.  
 Note: Projections on debt servicing in respect of long-term debt are based on the debt outstanding position at end-March 2009. The projections for ECBs and FCCBs are based on the outstanding position at end-June 2009. The projections exclude NRI deposits and FII investment in government debt securities.

## 11. Sustainability of India's External Debt

- (i) An assessment of sustainability of external debt is generally undertaken based on the trends in certain key ratios such as debt to GDP ratio, debt service ratio, short-term debt to total debt and total debt to foreign exchange reserves. India has managed its external debt successfully as reflected in the perceptible improvement in various external debt sustainability indicators (Table 12).
- (ii) The ratio of external debt to GDP has increased to 21.4 per cent as at end-March 2009 from 18.9 per cent as at end-March 2008.
- (iii) The debt service ratio declined steadily during the last three years and stood at 4.6 per cent as at end-March 2009. The debt service ratio for April-June 2009 worked out to 5.5 per cent.
- (iv) India's foreign exchange reserves provide a cover of 116.5 per cent to the external debt stock at the end of June 2009 as compared to 112.5 per cent at end-March 2009 (Chart 5).
- (v) The share of concessional debt in total external debt increased marginally to 19.0 per cent as at end-June 2009 from 18.7 per cent at end-March 2009.

(vi) The ratio of short-term debt to foreign exchange reserves at 15.3 per cent as at end-June 2009 was lower compared to 17.3 per cent as at end-March 2009.

(vii) The ratio of short-term to total debt declined to 17.8 per cent at end-June 2009 from 19.5 per cent at end-March 2009.

**Table 12: India's Key External Debt Indicators**

Year	External Debt (US \$ billion)	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
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	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	171.3	18.1	4.7	116.2	23.1	14.1	16.4
2007-08	223.3	18.9	4.8	138.7	19.8	14.8	20.5
2008-09	224.0	21.4	4.6	112.5	18.7	17.3	19.5
End-June 2009	227.7	..	5.5	116.5	19.0	15.3	17.8

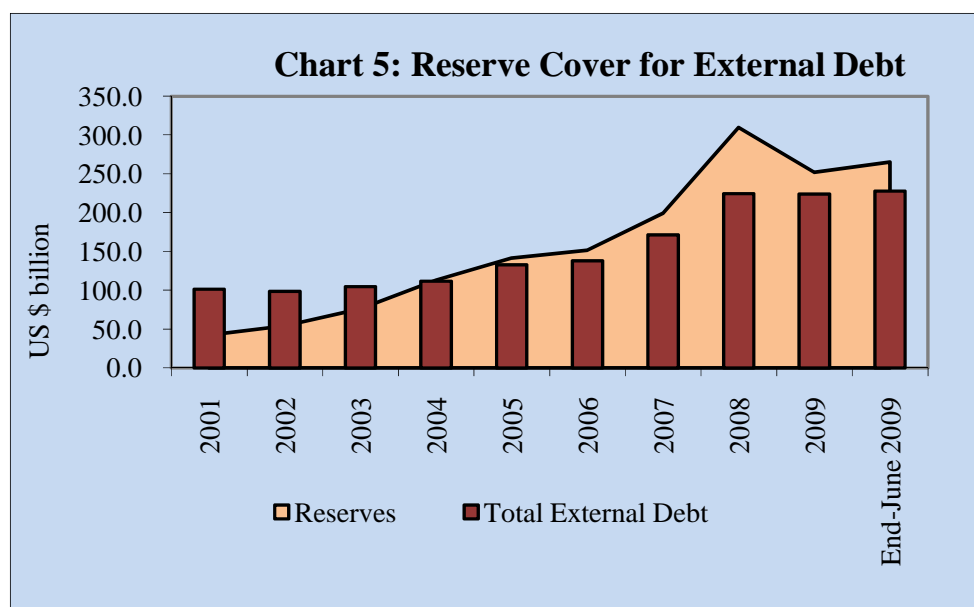
\* Works out to 12.4 %, with the exclusion of prepayment of external debt of US \$ 3,430 million

\*\* 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 6.3 % with the exclusion of IMD 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



## 12. Cross Country Comparison

- (i) According to the latest data available on Global Development Finance Online Database, World Bank, the international comparison of external debt of the twenty most indebted countries manifests that India was the fifth most indebted country in 2007 as compared with third position in 1990 (Table 13).

<b>Table 13: Total External Debt Outstanding</b>						
						(US \$ billion)
<b>Country Name</b>	<b>1990</b>	<b>2000</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
1	2	3	4	5	6	7
All developing countries	1,283.1	2,177.8	2,636.5	2,633.0	2,858.4	3,466.0
1. China	55.3	145.7	247.7	283.8	325.1	373.6
2. Russian Federation	..	160.0	196.8	229.9	250.5	370.2
3. Turkey	49.4	116.8	160.7	169.3	207.8	251.5
4. Brazil	119.7	241.6	219.5	187.4	193.5	237.5
<b>5. India</b>	<b>83.8</b>	<b>101.3</b>	<b>133.0</b>	<b>138.1</b>	<b>171.3</b>	<b>223.3</b>
6. Poland	49.4	64.8	105.3	108.2	139.0	195.4
7. Mexico	104.4	150.9	171.2	167.9	160.5	178.1
8. Indonesia	69.9	144.3	139.6	132.8	130.8	140.8
9. Argentina	62.2	140.9	162.4	125.0	115.9	127.8
10. Kazakhstan	..	12.4	32.8	43.4	74.1	96.1
11. Romania	1.1	11.2	29.6	38.9	54.0	85.4
12. Ukraine	..	12.2	30.2	33.3	49.9	73.6
13. Philippines	30.6	58.3	61.0	61.7	60.3	65.8
14. Thailand	28.1	79.7	51.3	51.4	55.0	63.1
15. Chile	19.2	37.3	43.8	45.4	48.0	58.6
16. Malaysia	15.3	41.9	52.2	52.0	56.5	53.7
17. Croatia	..	12.4	33.0	30.6	38.4	48.6
18. Colombia	17.2	33.9	37.9	37.7	38.9	45.0
19. South Africa	..	24.9	27.1	31.1	35.5	43.4
20. Venezuela, RB	33.2	42.0	39.3	45.7	44.6	43.1

Note: The source data for India is Government of India and Reserve Bank of India. Therefore, the data for India pertain to financial year (April-March) and not calendar year.  
Source: Global Development Finance Online Database, World Bank, Ministry of Finance, Government of India and Reserve Bank of India

- (ii) The element of concessionality in India's external debt portfolio was the third highest after Indonesia and Philippines (Table 14).
- (iii) India's debt service ratio was third lowest with China and Malaysia having first and second lowest debt service ratio, respectively.
- (iv) In terms of ratio of external debt to Gross National Product (GNP), India's position was sixth lowest, with China having the lowest ratio of external debt to GNP.
- (v) India's position with respect to short-term debt to total external debt was eighth lowest with Mexico having the lowest ratio of short-term debt to total external debt.
- (vi) In terms of reserves to total debt, India's position was third, similar to that of Thailand, as China and Malaysia had higher reserves to debt ratio than India.

**Table 14: International Comparison of Top Twenty Debtor Countries, 2007**

	External debt stocks, total (US \$ billion)	Concessional debt/Total debt (EDT) (%)	Debt service ratio (%)	External Debt to GNP(%)	Short-term debt/Total debt (EDT) (%)	Forex Reserves to Total Debt (%)
1	2	3	4	5	6	7
China	373.6	10.1	2.2	11.6	54.5	413.9
Russian Federation	370.2	0.4	9.1	29.4	21.4	129.1
Turkey	251.5	2.1	32.1	38.8	16.6	30.4
Brazil	237.5	1.0	27.8	18.7	16.5	75.9
<b>India</b>	<b>223.3</b>	<b>19.8</b>	<b>4.8</b>	<b>18.9</b>	<b>20.5</b>	<b>138.7</b>
Poland	195.4	0.4	25.6	47.7	30.9	33.6
Mexico	178.1	0.6	12.5	17.7	5.1	49.0
Indonesia	140.8	26.2	10.5	33.9	24.8	40.4
Argentina	127.8	1.3	13.0	49.7	29.8	36.1
Kazakhstan	96.1	1.0	49.6	103.7	12.2	18.4
Romania	85.4	1.6	19.1	51.5	35.7	46.8
Ukraine	73.6	2.2	16.9	52.9	31.1	44.1
Philippines	65.8	20.0	13.7	41.9	10.8	51.2
Thailand	63.1	9.6	8.1	26.5	34.3	138.7
Chile	58.6	0.4	14.2	40.3	22.7	28.7
Malaysia	53.7	6.1	4.6	29.4	28.4	189.9
Croatia	48.6	2.1	33.0	97.7	10.5	28.1
Colombia	45.0	2.1	22.0	22.5	11.9	46.6
South Africa	43.4	0.0	5.9	15.8	38.2	75.9
Venezuela, RB	43.1	0.5	7.4	18.7	27.1	78.2

Source: Data for India as published by national authorities for 2007-08 and those for other countries as at end-December 2007 as available in World Bank's Global Development Finance Online Database.

- (vii) The **Quarterly External Debt Statistics (QEDS)** database, jointly developed by the World Bank and the International Monetary Fund, brings out detailed external debt data of countries that are subscribing to IMF's Special Data Dissemination Standard/ General Data Dissemination System. The position in respect of the 63 reporting countries for the fourth quarter of the calendar year 2008 and the first quarter of the calendar year 2009, which has been published by the World Bank <http://go.worldbank.org/6V603CE490> is given at **Annex I**.

**Annex I: Gross External Debt Position of QEDS Reporting Countries for End-December 2008 and End-March 2009**

(US\$ billion)							
Sr. No.	Countries	2008Q4			2009Q1		
		Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
1	2	3	4	5	6	7	8
1	Hong Kong, China	483.9	176.1	659.9	486.1	154.4	640.5
2	Russian Federation	73.0	410.4	483.5	60.2	390.6	450.8
3	Turkey	50.6	226.6	277.1	48.1	217.2	265.3
4	Brazil	36.4	226.5	262.9	32.4	227.6	259.9
<b>5</b>	<b>India</b>	46.3	182.6	228.9	43.6	180.4	224.0
6	Mexico	24.2	176.2	200.4	23.8	145.4	169.3
7	Indonesia	20.5	134.6	155.1	17.8	133.3	151.0
8	Argentina	35.1	93.1	128.2	36.0	91.5	127.5
9	Kazakhstan	10.2	97.6	107.8	8.6	96.5	105.1
10	Ukraine	20.3	81.4	101.7	18.8	80.4	99.2
11	Romania	26.3	75.3	101.6	22.8	72.5	95.3
12	Malaysia	30.7	44.7	75.3	30.4	43.2	73.6
13	South Africa	25.5	46.3	71.8	23.3	44.1	67.4
14	Chile	14.3	50.5	64.8	12.7	52.1	64.9
15	Thailand	20.4	44.6	65.1	18.5	43.0	61.5
16	Croatia	6.7	48.1	54.8	5.3	46.9	52.2
17	Colombia	5.7	40.7	46.4	4.8	42.0	46.8

<b>Annex I: Gross External Debt Position of QEDS Reporting Countries for End-December 2008 and End-March 2009</b>							
<b>(US\$ billion)</b>							
Sr. No.	Countries	2008Q4			2009Q1		
		Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
1	2	3	4	5	6	7	8
18	Armenia	0.5	3.0	3.4	0.5	3.1	3.6
19	Australia	223.0	547.3	770.3	209.4	544.2	753.7
20	Austria	266.7	566.1	832.8	250.9	533.9	784.8
21	Belarus	7.6	7.6	15.2	7.5	8.8	16.3
22	Belgium	962.0	392.3	1,354.3	872.4	374.0	1,246.4
23	Bolivia	0.3	5.7	5.9	0.2	5.7	5.9
24	Bulgaria	18.5	32.6	51.1	17.5	31.0	48.5
25	Canada	304.7	457.5	762.2	313.4	460.9	774.3
26	Costa Rica	4.0	5.2	9.2	3.6	5.2	8.7
27	Czech Republic	25.9	54.5	80.4	22.9	50.6	73.4
28	Denmark	300.1	285.0	585.1	281.4	293.8	575.2
29	Ecuador	1.6	16.5	18.1	0.0	0.0	0.0
30	Egypt	2.8	29.3	32.1	2.5	28.4	30.9
31	El Salvador	1.5	9.1	10.7	1.2	9.3	10.5
32	Estonia	10.1	16.8	26.8	8.8	15.6	24.4
33	Finland	113.1	219.1	332.2	118.4	231.2	349.7
34	France	2,138.5	2,863.2	5,001.7	1,999.5	2,723.7	4,723.2
35	Georgia	1.0	6.7	7.7	0.8	6.9	7.7
36	Germany	1,723.7	3,526.1	5,249.8	1,635.9	3,363.7	4,999.6
37	Greece	155.6	349.0	504.6	148.9	342.3	491.3
38	Hungary	26.2	186.0	212.1	26.5	181.4	207.9
39	Ireland	1,110.6	1,201.1	2,311.7	1,056.3	1,196.7	2,253.0
40	Israel	33.2	52.9	86.1	31.4	52.7	84.1
41	Italy	807.0	1,521.2	2,328.2	800.9	1,509.2	2,310.1
42	Japan	1,415.6	815.1	2,230.6	1,341.1	747.9	2,088.9
43	Korea	151.1	230.0	381.1	148.1	221.2	369.3
44	Kyrgyz Republic	0.4	3.1	3.5	0.4	3.0	3.4
45	Latvia	14.1	28.0	42.1	10.5	27.5	38.0
46	Lithuania	8.2	24.3	32.5	6.9	23.1	30.0
47	Luxembourg	1,163.5	769.5	1,933.0	1,126.0	696.6	1,822.6
48	Moldova	1.4	2.7	4.1	1.4	2.6	4.0
49	Netherlands	1,090.6	1,379.0	2,469.6	1,047.6	1,355.3	2,402.9
50	Norway	276.9	281.6	558.5	258.0	285.9	543.9
51	Paraguay	0.7	2.8	3.5	0.0	0.0	0.0
52	Peru	6.1	28.4	34.6	4.6	29.6	34.1
53	Poland	51.0	192.7	243.6	45.6	177.1	222.6
54	Portugal	180.4	304.4	484.7	173.3	296.8	470.2
55	Slovak Republic	20.1	32.4	52.5	24.1	29.1	53.3
56	Slovenia	16.2	38.2	54.4	12.7	37.2	49.9
57	Spain	694.2	1,618.4	2,312.6	686.0	1,554.2	2,240.2
58	Sweden	303.2	314.3	617.6	292.9	306.9	599.8
59	Switzerland	912.8	392.2	1,305.0	891.9	380.0	1,271.9
60	Tunisia	4.3	16.5	20.8	4.0	15.5	19.4
61	United Kingdom	6,798.4	2,371.5	9,169.8	6,444.9	2,290.6	8,735.5
62	United States	5,414.4	8,227.4	13,641.8	5,169.4	8,230.5	13,399.9
63	Uruguay	0.1	10.6	10.7	0.1	10.9	11.0