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India's External Debt as at the end of June 2012

The current account deficit was largely financed through debt flows with continued uncertainty in the global economy affecting the quantum of equity flows during the first quarter of 2012-13. However, the magnitude of increase in external debt was lower than that of the preceding quarter largely due to valuation gains resulting from appreciation of US dollar against Indian rupee and other international currencies.

The major developments relating to India's external debt as at end-June 2012 are set out below:

- (i) India's external debt, as at end-June 2012, was placed at US\$ 349.5 billion showing an increase of US\$ 3.9 billion or 1.1 per cent over the level at end-March 2012. The increase in total external debt during the quarter was primarily on account of rise in Non-resident external rupee denominated ((NR(E) RA) deposits, reflecting the impact of deregulation of interest rates in these deposits in December 2011. There has been sizeable rise in short-term trade credit as well.
- (ii) Excluding the valuation gains due to the appreciation of the US dollar against Indian rupee and other international currencies, the external debt as at end-June would have increased by US \$ 11.8 billion over end-March 2012.
- (iii) In terms of major components, the share of external commercial borrowings (ECB) continued to be the highest at 30.0 per cent of total external debt, followed by NRI deposits (17.4 per cent) and multilateral debt (14.2 per cent).
- (iv) Based on residual maturity, short-term debt accounted for 42.9 per cent of the total external debt as at end-June 2012. Of this, the share of NRI deposits was 28.8 per cent. The share of short-term debt in total debt, by original maturity, was 23.0 per cent.
- (v) The ratio of short-term debt (original maturity) to foreign exchange reserves rose to 27.8 per cent as at end-June 2012 from 26.6 per cent as at end-March 2012.
- (vi) The debt denominated in US dollar continued to be the highest with a share of 56.3 per cent in total external debt as at end-June 2012 followed by the Indian rupee (21.4 per cent) and Japanese Yen (9.1 per cent).

- (vii) The ratio of foreign exchange reserves to external debt as at end June 2012 at 82.9 per cent was lower than the level of end-March 2012.

1. India's External Debt as at end-June 2012

India's external debt, as at end-June 2012, was placed at US\$ 349.5 billion showing an increase of US\$ 3.9 billion or 1.1 per cent over the end-March 2012 level primarily on account of Non-resident external rupee ((NR(E) RA) denominated deposits and short-term trade credits (Table 1). Significantly, the stock of multilateral debt and ECB at the end of June 2012 was lower than that of the level at end of March 2012. The decline in the stock of ECB was mainly due to higher repayments during the quarter.

Table 1: External Debt – Outstanding and Variation							
(US\$ million)							
Item	Outstanding at the end-of			Absolute variation		Percentage Variation	
	Jun-11	Mar 2012PR	Jun 2012 P	Jun-12 over Jun-11	Jun-12 over Mar-12	Jun-12 over Jun-11	Jun-12 over Mar-12
1	2	3	4	5	6	7	8
1. Multilateral	49,375	50,453	49,780	406	-673	0.8	-1.3
2. Bilateral	26,168	26,714	27,248	1,081	534	4.1	2.0
3. IMF	6367	6163	6037	-330	-126	-5.2	-2.0
4. Trade Credit	18,692	18,980	19,094	402	114	2.2	0.6
5. External Commercial Borrowings	92,675	105,210	104,841	12,166	-369	13.1	-0.4
6. NRI Deposits	52,898	58,608	60,874	7,976	2,266	15.1	3.9
7. Rupee Debt	1,568	1,354	1,219	-349	-135	-22.3	-10.0
8. Short-Term Debt	68,474	78,179	80,450	11,976	2,271	17.5	2.9
Of which:							
(i) Short-Term Trade Credit	61,532	65,130	70,508	8,976	5,378	14.6	8.3
Total Debt (1 to 8)	316,216	345,661	349,543	33,327	3,882	10.5	1.1
Memo Items							
A. Long-Term Debt (1 to 7)	247,742	267,482	269,093	21,351	1,611	8.6	0.6
B. Short-Term Debt	68,474	78,179	80,450	11,976	2,271	17.5	2.9
P: Provisional; PR : Partially Revised.							
Source: Ministry of Finance, Government of India and Reserve Bank of India.							

The share of short-term debt in total debt rose over the preceding as well as corresponding quarter of the previous year. The long-term debt at US\$ 269.1 billion and short-term debt at US\$ 80.5 billion accounted for 77.0 per cent and 23.0 per cent, respectively, of the total external debt as at end-June 2012 (Table 2). Although, widening CAD was largely financed through debt flows, rise in magnitude of debt over the preceding quarter has been relatively moderate as a part of the rise was offset by valuation gains.

(US \$ million)					
Item	End- March			End-June	
	2010	2011	2012PR	2011 PR	2012 P
1	2	3	4	5	6
1. Multilateral	42,857	48,474	50,453	49,375	49,780
	(16.4)	(15.8)	(14.6)	(15.6)	(14.2)
2. Bilateral	22,593	25,698	26,714	26,168	27,248
	(8.7)	(8.4)	(7.7)	(8.3)	(7.8)
3. IMF	6,041.0	6,308	6163	6367	6037
	(2.3)	(2.1)	(1.8)	(2.0)	(1.7)
4. Trade Credit	16,841	18,613	18,980	18,692	19,094
	(6.5)	(6.1)	(5.5)	(5.9)	(5.5)
5. ECBs	70,726	88,565	105,210	92,675	104,841
	(27.1)	(28.9)	(30.4)	(29.3)	(30.0)
6. NRI Deposits	47,890	51,682	58,608	52,898	60,874
	(18.4)	(16.9)	(17.0)	(16.7)	(17.4)
7. Rupee Debt	1,658	1,601	1,354	1,567	1,219
	(0.6)	(0.5)	(0.4)	(0.5)	(0.3)
8. Long-term Debt (1to 7)	208,606	240,941	267,482	247,742	269,093
	(79.9)	(78.8)	(77.4)	(78.3)	(77.0)
9. Short-term Debt	52,329	64,990	78,179	68,474	80,450
	(20.1)	(21.2)	(22.6)	(21.7)	(23.0)
Total (8+9)	260,935	305,931	345,661	316,216	349,543
	(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 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

The valuation gain during the first quarter of 2012-13 amounted to US\$ 7.9 billion reflecting the appreciation of US dollar against the Indian rupee and other major currencies. Thus excluding the valuation gains the stock of external debt as at end-June 2012 would have increased by 11.8 billion.

3. Currency Composition of India's External Debt

The US Dollar denominated debt continued to be the largest with a share of 56.3 per cent in the total external debt as at end-June 2012 followed by Indian rupee (21.4 per cent), Japanese yen (9.1 per cent), SDR (8.3 per cent) and Euro (3.3 per cent)

4. External Debt by Residual Maturity

Based on residual maturity, the short-term debt accounted for 42.9 per cent of total external debt as at end-June 2012. Within the short-term debt, the share of NRI deposits was the highest at 28.8 per cent. The ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 51.8 per cent at end-June 2012 (Table 3).

Components	Short-term		Long-term		Total
	Up to one year	1 to 2 years	2 to 3 years	More than 3	(2) to (5)
1	2	3	4	5	6
1. Sovereign Debt (long-term) \$	4,433	4,620	4,835	60,846	74,735
2. External Commercial Borrowings #	21,804	15,877	19,430	76,372	133,484
3. NRI deposits {(i)+(ii)+(iii)}	43,327	5,595	4,548	7,404	60,874
(i) FCNR(B)	11,660	1,313	799	500	14,272
(ii) NR(E)RA	23,621	3,069	3,104	5,887	35,681
(iii) NRO	8,046	1,213	645	1,017	10,921
4. Short-term Debt* (Original maturity)	80,450	0	0	0	80,450
Total (1 to 4)	150,014	26,093	28,813	144,622	349,542
<i>Memo Items</i>					
Short-term debt (Residual maturity as per cent of total debt)	42.9				
Short-term debt (Residual maturity as per cent of Reserves)	51.8				
\$: Inclusive of FII investment in Government securities amounting to US \$ 5,047 million. #: External Commercial Borrowings are inclusive of trade credit and a portion of non-Government multilateral and bilateral borrowing and therefore may not tally with the ECB provided in other Tables under original maturity. * Also includes short-term component of sovereign debt amounting to US\$ 5,362 million. Note: Residual Maturity of NRI Deposits is estimated on the basis of returns submitted by authorised dealers. Source: Ministry of Finance, Government of India and Reserve Bank of India.					

5. Government and Non-Government External Debt

Government (Sovereign) external debt stood at US\$ 80.1 billion as at end-June 2012 as against US\$ 81.9 billion as at end-March 2012. The shares of Government and non-Government external debt in the total external debt were 23.0 per cent and 77.0 per cent, respectively, as at end-June 2012 (Table 4).

Sr.No.	Components	End- March			End June
		2010	2011	2012	2012
1	2	3	4	5	6
A.	Sovereign Debt (I+II)	67,067	78,071	81,895	80,152
	(As a percentage of GDP)	4.6	4.7	4.7	-
I.	External Debt on Government Account under External Assistance	55,235	62,295	63,374	62,750
II.	Other Government External Debt @	11,845	15,776	18,521	17,402
B.	Non-Government Debt #	193,868	227,859	263,766	269,390
	(As a percentage of GDP)	13.6	13.2	15.3	
C.	Total External Debt (A+B)	260,935	305,931	345,661	349,543
	(As a percentage of GDP)	18.3	17.8	20.0	-
@ 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.					

6. Select Indicators of External Debt

Among the indicators of external debt considered for assessing vulnerability, almost all the indicators showed some deterioration as at end-June 2012 as compared to end-March 2012. Debt service ratio, however, showed a tad better during the first quarter 2012-13 than 2011-12 (Table 5).

Table 5: India's Key External Debt Indicators							
						(Per cent)	
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	112.6	18.0	16.1**	100.3	35.8	3.9	3.9
2004-05	134.0	18.1	5.9 ^	105.6	30.7	12.5	13.2
2005-06	139.1	16.8	10.1 #	109.0	28.4	12.9	14.0
2006-07	172.4	17.5	4.7	115.6	23.0	14.1	16.3
2007-08	224.4	18.0	4.8	138.0	19.7	14.8	20.4
2008-09	224.5	20.3	4.4	112.1	18.7	17.2	19.3
2009-10PR	260.9	18.3	5.8	106.8	16.8	18.8	20.0
2010-11PR	305.9	17.8	4.3	99.6	15.5	21.3	21.2
2011-12PR	345.7	20.0	6.0	85.1	13.8	26.6	22.6
End-June 2012P	349.5	-	5.9	82.9	13.5	27.8	23
P: Provisional; PR: Partially Revised.							
* Works out to 12.4 per cent, with the exclusion of pre-payment 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.							

The data on external debt outstanding as at end-June 2012, along with revised data for the earlier quarters are set out in [Statement 1](#) and [2](#).

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