PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA
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REPORT ON PUBLIC DEBT MANAGEMENT FOR THE FIRST QUARTER OF 2014-15 (APRIL-JUNE 2014) RELEASED; GROSS AND NET MARKET BORROWINGS SHOW AN INCREASE OF 6.4 PER CENT AND 1.6 PER CENT OVER 2013-14 RESPECTIVELY

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Bhadrapada 6, 1936

Since April-June (Q1) 2010-11, Middle Office (MO), Budget Division, Department of Economic Affairs, Ministry of Finance, is bringing-out a quarterly report on debt management on regular basis. The current report pertains to the quarter April-June 2014 (Q 1 FY 2014-15).

For fiscal year 2014-15 (FY15), gross and net market borrowing of the Government at Rs. 6,00,000 crore and Rs. 4,61,205 crore, respectively, shows an increase of 6.4 per cent and 1.6 per cent over 2013-14 (revised estimate) levels of Rs. 5,63,911 crore (gross) and Rs. 4,53,902 crore (net), respectively. During Q1 of FY15, the Government issued dated securities worth Rs.1,98,000 crore (33.0 per cent of BE), higher than Rs. 1,51,000 crore (26.1 per cent of BE) in Q1 of FY 14. Net market borrowings during the quarter at 26.6 per cent of BE were, however, lower than 28.6 per cent of BE in the previous year, reflecting higher repayments in the first quarter this year. Auctions during Q1 of FY15 were held in accordance with the pre-announced calendar with continued emphasis on re-issuances. The amount issued under two new securities, 6 years and 14 years maturity, during Q1 of FY 15 constituted 10.6 per cent of total issuances. The weighted average maturity (WAM) of dated securities issued during Q1 of FY15 at 14.13 years was higher than 13.77 years for Q4 of FY14. However, the weighted average yield (cut-off) of issuance during Q1 of FY15 declined to 8.92 per cent from 9.07 per cent in Q4 of FY14, reflecting a moderation in yields during the quarter. Liquidity conditions in the economy remained comfortable during the quarter, barring period of advance tax outflows, with the liquidity deficit, as reflected by net borrowings from RBI under Liquidity Adjustment Facility (LAF), remaining near the Reserve Bank's stated comfort zone of about one per cent of net demand and time liabilities (NDTL) of banking system. The cash position of the Government during Q1 of FY15 was comfortable and remained in surplus mode during the quarter barring a few occasions, when it took recourse to WMA.

The total public debt (excluding liabilities under the 'Public Account') of the Government increased by 3.7 per cent (provisional) in Q1 of FY 15 on Q-o-Q basis compared with an increase of 0.5 per cent in the previous quarter (Q4 of FY14). Internal debt constituted 91.4 per cent of public debt as at end-June 2014, while marketable securities accounted for 83.4 per cent of total public debt. About 28.6 per cent of outstanding stock has a residual maturity of up to 5 years, which implies that over the next five years, on an average, 5.6 per cent of outstanding stock needs to be rolled over every year. Thus, the rollover risk in the debt portfolio continues to be low.

In the secondary market, bond yields opened at elevated levels. After initial hardening in yields, G-Secs traded in a narrow range in April 2014, balancing value buying as against poor inflation numbers, sharp depreciation of currency, etc. During May 2014, market remained generally buoyant amidst pre-election expectations of a clear majority for new government at centre, a decisive mandate in the general election, the commitment shown by the new government on inflation and fiscal deficit front, etc. The yields, however, hardened in quarter end on account of tensions in the Middle East, which pushed crude oil to its highest level in around nine months and kept INR under pressure. Overall bonds yields moderated across the curve as against previous quarter and the yield curve flattened at the longer end of the curve. Trading volumes, on an outright basis, were higher by 43.73 per cent over the previous quarter, primarily on account of pre-election expectations of a clear majority for new government and a decisive mandate in the general election. Foreign banks continued to be the dominant trading category though their share in total outright trading activity decreased.

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