PRESS NOTE

Since Apr-Jun (Q1) 2010-11, Public Debt Management Cell (PDMC) (earlier Middle Office), 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 July-Sept 2017 (Q 2 FY 18).

2. During Q2 FY18, the Government issued dated securities worth ` 1,89,000 crore (32.68 per cent of BE), higher than ` 1,68,000 crore (29.0 per cent of BE) in Q1 of FY 17, taking the gross borrowings during H1 FY18 to ` 3,57,000 crore or 61.68 per cent of BE, vis-a-vis 56.8 per cent of BE in H1 FY 17. Auctions of both, Government dated securities and Treasury Bills during Q2 of FY18 went over smoothly. The weighted average maturity (WAM) and weighted average yield (WAY) of the issuance made during Q2 FY18 was 14.58 years and 6.77 per cent respectively. The liquidity in the economy remained in surplus, due to demonetization, during the quarter. The cash position of the Government during Q2 of FY18 was somewhat stressed and GoI was required to resort to W & M advances from RBI on a few occasions. Moreover, through cash management guidelines, attempt was made to time expenditure as per receipt trends. Based on the assessment of prevailing and evolving liquidity conditions, RBI conducted sale of Government securities under Open Market Operations for an aggregate amount of ₹ 600 billion during the quarter.

3. The Public Debt (excluding liabilities under the 'Public Account') of the Central Government provisionally increased to ` 65,65,652 crore at end-Sep 2017 from ` 64,03,138 crore at end-June 2017. Internal debt constituted 93.0 per cent of Public Debt as at end-Sept 2017 while marketable securities accounted for 82.6 per cent of Public Debt. About 27.8 per cent of outstanding stock has a residual maturity of up to 5 years at end – Sept 2017, which implies that over the next five years, on an average, around 5.56 per cent of outstanding stock needs to be repaid every year. Thus, rollover risk in the debt portfolio continues to be low.

4. G-Sec yields showed a falling trend till August 3, 2017 but an increasing trend was seen thereafter. Yields initially softened due to increase in FPI limits by RBI to ` 2.42 lakh crore in G-Secs and ` 0.33 lakh crore for SDLs under the revised medium term framework for investment by FPIs. Yields, however, started hardening from beginning of August due to rise in inflation (WPI 3.24% in August 2017, 2.60% in September 2017 and CPI 3.28% in August 2017 as also in September 2017 . Rise in trade deficit in August 2017 ($11.7 bn in Aug'17 vs. $7.7 bn in Aug'16) and adverse Dollar-Rupee movement (Rupee depreciated almost Rupees 2 in a month) further added to the pressure. Crude oil prices jumped from $ 47 in June to $ 59/barrel on September 27, 2017 putting pressure on balance of trade and BoP position and its likely effect on inflation. Concerns over GST revenues (after net of refund claims) also affected yields. The trading volume of Government securities on an outright basis during Q2 FY 18 increased by 10.20 per cent over the previous quarter.