## Government of India Ministry of Finance Department of Economic Affairs (External Debt Management Unit)

## **Press Release**

**Subject: India's External Debt: A Status Report 2010-11** 

The Department of Economic Affairs, Ministry of Finance is coming out with the *seventeenth* issue of the annual publication titled 'India's External Debt: A Status Report 2010-11' that presents a detailed analysis of India's external debt position at end-March 2011 based on the data released on June 30, 2011 by the Reserve Bank of India. Apart from analysing trend, composition and debt service of India's external debt, the Report provides a comparative picture of India's external debt vis-a-vis other developing countries.

The salient features of the Report are summarized as under:

India's external debt has remained within manageable limits despite the increase in absolute terms and the changing composition. This is indicated by external debt to GDP ratio of 17.3 per cent and debt service ratio of 4.2 per cent in 2010-11. The external debt to GDP ratio was 38.7 per cent in 1991-92 and 22.5 per cent in 2000-01. The debt service ratio similarly was 30.2 per cent in 1991-92 and 16.6 per cent in 2000-01. The steady improvement in India's external indebtedness position has been due to prudent external debt management policy followed by the Government of India, the main planks of which are monitoring long and short-term debt, raising sovereign loans on concessional terms with longer maturities and regulating external commercial borrowings.

India's external debt position during the years 2008-09 to 2010-11 is given in the Table below.

Table: India's Key External Debt Indicators							
							(Per cent)
At end	External	External	Debt	Foreign	Concessional	Short-	Short-
March	Debt	Debt to	Service	Exchange	Debt to	Term to	Term to
	(US\$	GDP	Ratio	Reserves to Total	Total Debt	Foreign	Total Dobt
	billion)			to Totai Debt		Exchange Reserves	Debt
1	2	3	4	5	6	7	8
2008-09	224.5	20.5	4.4	112.1	18.7	17.2	19.3
2009-10 PR	261.0	18.0	5.5	106.9	16.8	18.8	20.0
2010-11QE	305.9	17.3	4.2	99.6	15.6	21.3	21.2
PR: Partially Revised; QE: Quick Estimates.							

At end-March 2011, India's external debt stock stood at US\$ 305.9 billion, increasing by US\$ 44.9 billion (17.2 per cent) over the end-March 2010 level of US\$ 261.0 billion. The increase in external debt was mainly due to higher commercial borrowings and short-term trade credits, which is in line with high growth of the economy and strong domestic demand in 2010-11.

The share of commercial borrowing in total external debt has increased from 19.7 per cent at end-March 2005 to 28.9 per cent at end-March 2011. The changing composition of debt in favour of commercial borrowing however is also an indication of maturing market economy and the increasing role that corporate sector is playing in sustaining high growth rate.

The total long-term external debt increased by US\$ 32.2 billion to US\$ 240.9 billion at end-March 2011 from US\$ 208.7 billion at end-March 2010, while short-term showed an increase of US\$ 12.7 billion to US\$ 65.0 billion from US\$ 52.3 billion at end-March 2010. The long-term debt accounted for 78.8 per cent, while the remaining 21.2 per cent was short-term debt at end-March 2011.

Government (sovereign) external debt stood at US\$ 78.2 billion at end-March 2011, higher by US\$ 11.1 billion (16.5 per cent) over its level of US\$ 67.1 billion at end-March 2010. It accounted for 25.6 per cent of the total external debt, almost the same as in previous year (25.7 per cent at end-March 2010). Government guaranteed external debt was US\$ 8.6 billion at end-March 2011 vis-a-vis US\$ 7.8 billion at end-March 2010.

India's key debt indicators compare well with other indebted developing countries. The Global Development Finance, 2011 of the World Bank, which contains external debt numbers for 2009, shows that India's position was *fifth*, in terms of absolute debt stock amongst the top twenty developing debtor countries. In terms of ratio of external debt to Gross National Income, India's position however was the *fifth* lowest.

The complete Annual Status Report 2010-11 is available at the website of the Ministry of Finance –www.finmin.nic.in.