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

Press Release

Subject: India's External Debt: A Status Report 2011-12

The Department of Economic Affairs, Ministry of Finance is bringing out the eighteenth issue of the annual publication titled 'India's External Debt: A Status Report 2011-12'. The Report presents a detailed analysis of India's external debt position at end-March 2012, based on the data released by the Reserve Bank of India on June 29, 2012. 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 and analyses external sector vulnerabilities in view of the fluid global economic situation.

The salient features of the Report are summarized as under:

India's external vulnerability indicators have witnessed some signs of stress in the recent period, reflecting the impact of a deepening euro-zone sovereign debt crisis and the global slowdown. Global economic risks could rise further with a weakening recovery, sluggish growth prospects and continuing high debt and gross financing needs in several advanced economies. Aggravation of external sector risks is reflected in upward movement in India's current account deficit, falling reserve cover for imports and external debt, depreciating rupee exchange rate, rising levels of external debt and the increasing share of short-term and commercial borrowing in total external debt.

However, despite these developments, India's external debt has remained within manageable limits. This is indicated by the external debt to GDP ratio of 20.0 per cent and the debt service ratio of 6.0 per cent in 2011-12. A cross country comparison also shows that India continues to be among the less vulnerable countries with its external debt indicators comparing well with other indebted countries. India's external debt position in recent years is given below:

Table: India's Key External Debt Indicators (Per cent)							
At end March	External Debt (US\$ billion)	External Debt to GDP	Debt Service Ratio	Foreign Exchange Reserves to Total Debt	Concessional Debt to Total Debt	Short- Term to Foreign Exchange Reserves	Short- Term to Total Debt
1	2	3	4	5	6	7	8
2009-10	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
2011-12QE PR: Partially Ro	345.8	20.0	6.0	85.1	13.9	26.6	22.6

India's external debt stock at end-March 2012 stood at US\$ 345.8 billion, increasing by US\$ 39.9 billion (13.0 per cent) over the end-March 2011 level of US\$ 305.9 billion. The rise could be attributed mainly to increase in commercial borrowings, short-term debt, and non-resident

Indian deposits.

The long-term external debt at US\$ 267.6 billion at end-March 2012 reflected an increase of 11.1 per cent, while the short-term debt at US\$ 78.2 billion increased by 20.3 per cent over the level of end-March 2011. The long-term debt accounted for 77.4 per cent of total external debt at end-March 2012.

At end-March 2012, the share of commercial borrowings in total external debt stock stood at 30.2 per cent, followed by short-term debt (22.6 per cent), NRI deposits (16.9 per cent) and multilateral debt (14.6 per cent). The rising share of commercial borrowing over the years is an indication of a maturing market economy and the increasing role that the corporate sector is playing in sustaining the growth of the economy.

Government (sovereign) external debt stood at US\$ 81.9 billion at end-March 2012 vis-a-vis US\$ 78.1 billion at end-March 2011. The share of Government external debt in total external debt was lower at 23.7 per cent at end-March 2012 as compared to 25.5 per cent at end-March 2011.

India's key debt indicators compare well with other indebted developing countries. The Global Development Finance, 2012 of the World Bank, which contains external debt numbers for 2010, 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 'India's External Debt: A Status Report 2011-12' is available at the website of the Ministry of Finance –<u>www.finmin.nic.in</u>.

F.No.1/22/2012-EDMU dated 10 September 2012.

The Press Information Bureau is requested to release the above.

Sunil Saran Additional Economic Adviser

Shri D S Malik Additional Director General (M & C), Public Information Officer, Ministry of Finance, North Block