

Government of India
Ministry of Finance
Department of Economic Affairs

Press Release

Subject: India's External Debt: A Status Report, August 2006

1. A Status Report on India's External Debt is brought out on an annual basis by the Department of Economic Affairs, Ministry of Finance setting out the developments in India's external debt during the year. The Twelfth Status Report released today gives a detailed analysis of the developments in the country's external debt during 2005-06 besides providing data from March 1990 to March 2006. The Report also compares India's external debt/debt indicators with other indebted countries.

2. India's external debt stock as at end-March 2006 rose to US\$125.2 billion from US\$123.2 billion at end-March 2005. The increase in 2005-06 was around US\$2 billion as compared to an increase of US\$11.6 billion in 2004-05. The lower level of accumulation of external debt in 2005-06 was essentially due to redemption of India Millennium Deposits (IMDs) of US\$ 5.5 billion in December 2005. Component-wise, the increase in debt stock during 2005-06 was mainly due to escalation in NRI deposits and surge in short-term credits which were partially offset by contraction in commercial borrowings and bilateral loans.

3. External debt indicators have improved from strength to strength during the last few years despite an increase in the volume of debt. External debt-to-GDP ratio has dropped gradually from 38.7 percent in 1991-92 to 15.8 percent in 2005-06. Debt service as a proportion of current receipts (debt service ratio) declined over the years to reach a level of 6.1 percent (excluding one-off transaction of repayments under IMDs) in 2005-06. Like-wise, short-term debt to total debt and short-term debt to forex assets have shown gradual improvement. The moderation in debt accumulation and improvement in debt sustainability indicators during the post-reform period essentially reflect committed efforts of the Government to keep external debt within manageable limits.

4 India's external debt position compares well with that of other indebted countries. India's external debt indicators such as ratios of short-term debt to total debt and short-term debt to forex reserves are the lowest among the top ten debtor countries. Proportion of concessional loans in total debt is the highest, while debt to GNI and debt service ratios are the second lowest after China for the year 2004. Among the top ten debtor countries of the world, India has improved her ranking from being *third* in 1991 to *eighth* in 2004.

5. The complete Report is available on Ministry of Finance Website-
<http://www.finmin.nic.in>.

F.No.1(15)/2006-EDMU
New Delhi, September 11, 2006

The Press Information Bureau is requested to release the above.

Sd/-
(R.C. Srinivasan)
Sr. Economic Adviser

Mr. B.S.Chauhan,
Director
Public Information Officer,
Ministry of Finance,
North Block