

External debt grows 2% in March; short-term debt falls

Business Standard, 20th Sep 2016

India's external debt stood at \$485.6 billion as of March 2016, up 2.2 per cent year-on-year due to a rise in long-term debt, particularly non-resident Indian (NRI) deposits.

However short-term external debt declined 2.5 per cent, mainly on the back of trade credits, implying less risks from these borrowings. Short-term external debt was \$83.4 billion at end-March 2016, from \$84.7 billion a year ago. The share of short-term external debt in external debt declined from 18.0 per cent as of March 2015 to 17.2 per cent as of March 2016. At March-end 2016, long-term external debt was \$402.2 billion, up 3.3 per cent over the year-ago period. Long-term external debt accounted for 82.8 per cent of total external debt in the period against 82 per cent at end-March 2015, according to the 22nd issue of the annual India's External Debt: A Status Report 2015-16.

"The rise in external debt was due to the rise in long-term debt, particularly NRI deposits," said the report prepared by the Department of Economic Affairs. "India's external debt has remained within manageable limits in 2015-16, as indicated by an increase in foreign exchange reserves to debt ratio to 74.2 per cent, the external debt-GDP ratio of 23.7 per cent, and a fall in short-term debt to 17.2 per cent."

External debt of the country continues to be dominated by long-term borrowings.

A cross-country comparison based on International Debt Statistics 2016 of the World Bank, which presents the debt data for 2014, showed that "India continues to be among the less vulnerable countries with its external debt indicators comparing well with other indebted developing countries".