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Info Capsule

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THE MINISTRY OF FINANCE, GOVERNMENT OF INDIA ISSUES THE QUARTERLY REPORT ON DEBT MANAGEMENT FOR THE FOURTH (Q4) QUARTER I.E. JANUARY-MARCH 2018 FOR THE FINANCIAL YEAR 2017-18[1]

The Ministry of Finance, Government of India has issued the Quarterly Report on Debt Management for the Fourth (Q4) Quarter i.e. January-March 2018 (Q4 FY 18) for the Financial Year 2017-18.

Since April-June (Q1) 2010-11, Public Debt Management Cell (PDMC) (earlier Middle Office), Budget Division, Department of Economic Affairs, Ministry of Finance, Government of India has been bringing-out a Quarterly Report on Debt Management on a regular basis.

During Q4 FY18, the Central Government issued Dated Securities worth ₹ 67,000 crore as against issuance of Dated Securities of ₹ 164,000 crore in Q3 of FY 18, thus leading to cumulative issuances of ₹ 5,88,000 crore (98.2% of 2017-18 RE). The Weighted Average Maturity (WAM) and Weighted Average Yield (WAY) of Dated Securities issued during Q4 FY18 was 10.93 years and 7.34 per cent, respectively. The liquidity position in the economy remained in deficit mode during Feb-March 2018. The cash position of the Central Government during Q4 of FY18 was, however, comfortable and the Government, therefore, did not resort to WMA from the RBI. In line with the Cash Management guidelines, the Central Government continued to time its expenditure as per pattern of receipts during the Quarter. Based on an assessment of prevailing and evolving liquidity conditions, the RBI conducted additional variable rate repo operations for longer tenors on a weekly basis aggregating to ₹ 100,000 crore to provide additional liquidity support to the banks during March 2018.

Total liabilities (including liabilities under the 'Public Account') of the Central Government, as per provisional data, increased by 1.7 % to ₹ 76,94,940 crore at end-March 2018 from ₹ 75,66,215 crore at end-December 2017. At this level, the ratio of Outstanding Liabilities of the Central Government to GDP worked-out to 45.9 % at end-March 2018. Public debt accounted for 88.7 % of the total outstanding liabilities at end-March 2018, while the share of 'Public Account' liabilities worked out to 11.3 %. About 26.2% of outstanding stock of G-Secs has a residual maturity of up to 5 years at the end of March 2018. This implies that over the

[1] Available at: http://www.pib.nic.in/PressReleseDetail.aspx?PRID=1536631

next five years, around 5.2 per cent of Outstanding Stock, on an average, needs to be repaid every year. Thus, the roll-over risk in the Debt Portfolio continues to be low.

G-Sec yields generally showed a hardening trend during the quarter ended March 2018. The weighted average yield (cut-off) on primary issuances of dated securities moved up to 7.34 per cent in Q4 of FY 18 from 7.04 per cent in the previous quarter. The up-trend in G-Sec yields in both primary and secondary markets was attributable to persistent rise in crude oil prices, higher CPI-based inflation for December 2017 (and above 5 per cent inflation for January 2018), increase in the US yields and subdued buying interest on the part of banks to avoid valuation losses on the back of expectations of further hardening of yields. Notwithstanding some correction in G-Sec yields towards the close of the FY 18, the yield on 10-year benchmark security (7.17% GS 2028) closed higher at 7.40 per cent at end-March 2018. The total value of outright transactions in Government Securities also recorded a decline (q-o-q) of 19.4 per cent in Q4 of FY 18.

A copy of the Quarterly Report on Debt Management for the Fourth (Q4) Quarter i.e. January-March 2018 for the Financial Year 2017-18 is available for http://pibphoto.nic.in/documents/rlink/2018/jun/p201862602.pdf for ready reference and record.

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