DEA releases the Quarterly Report on Public Debt Management – Q1 FY 2017-18 (April-June 2017)

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Since April-June (Q1) 2010-11, Public Debt Management Office (PDMC) (earlier Middle Office), Budget Division, Department of Economic Affairs, Ministry of Finance, is bringing-out a Quarterly Report on Public Debt Management on regular basis. The Current Quarterly Report pertains to the quarter April-June 2017 (Q 1 FY 18).

The liquidity in the economy remained in surplus, after the demonetization, during the quarter, which kept the yield environment low. However, the cash position of the Government of India (GoI) was somewhat stressed during the quarter, due to mismatch in receipt and payment which is generally seen during the first half of the financial year. To tide over these mismatch in cash flows of GoI, Cash Management Bills of varying durations amounting to Rs. 1,30,000 crore were issued during the quarter. CMBs of Rs. 40,000 crore were reedemed during the quarter itself. Govt. also took recourse to W&M advance from RBI during the spells of cash deficit and drew overdraft briefly during the quarter. However, through cash management guidelines, attempt was made to time expenditure as per receipt trends.

The weighted average maturity (WAM) and weighted average yield (WAY) of the G-Sec issuance made during Q1 FY18 was 14.92 years and 7.01 per cent respectively. During Q1 FY18, Government issued dated securities worth Rs.1,68,000 crore (29.0 per cent of BE), higher than Rs. 1,65,000 crore (28.4 per cent of BE) in Q1 of FY 17. Auctions of both, Government dated securities and Treasury Bills during Q1 of FY18 were held smoothly.

The Public Debt (excluding liabilities under the 'Public Account') of the Central Government provisionally increased by 3.6 per cent (provisional) in Q1 of FY 18 on Q-o-Q basis. Internal debt constituted 93.0 per cent of Public Debt as at end-June 2017 while marketable securities accounted for 83.2 per cent of Public Debt. About 26.6 per cent of outstanding stock has a residual maturity of up to 5 years at end – June 2017 or 5.3 per cent of outstanding stock will mature every year over the next five years, which implies that rollover risk in the debt portfolio continues to be low.

G-Sec yields witnessed a volatile trend during the quarter but yields softened at the end of quarter.Yields hardened during Apr 2017 due to factors such as, cautious mood ahead of 1st Bi-monthly monetary policy of RBI for 2017-18 which maintained a hawkish stance and RBI deciding to maintain the status quo on its key policy rates, but narrowed key policy rate corridor around Repo rate to ±25bps [± 50bps earlier]. Incidences of devolvement of G-Secs on PDs, issuance of T-Bills of near 1 year term under MSS, wave of debt waivers announced by few States, which may lead to higher State borrowing, OMO sales by RBI, cut in SLR from 20.50% to 20% lowering the requirement of banks to hold G-Secs, geo-political issues etc. also contributed to the hardening of the yields from 6.65% at the beginning of the quarter to 6.99% during the quarter (May 2, 2017) . The trading volume of Government securities on an outright basis during Q1 FY 18 increased by 2.65 per cent over the previous quarter.

Full Quarterly Report on Public Debt Management is also attached here with for ready reference.

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