

### **External commercial borrowings (ECBs)**

6.61 ECBs, which are medium and long-term loans, have seen net outflows only in four out of the last sixteen years ending in 2005-06. The most recent period of such net ECB outflows were the three year period 2001-04. ECBs turned back into net inflows in 2004-05, and such inflows were US\$2.7 billion in 2005-06. During the first half of the current year, such net inflows rose to US\$5.1 billion. On a gross basis, in the first half of the current year, inflow of ECBs rose to US\$7.1 billion from US\$6.4 billion in the first half of 2005-06, while repayments of such ECBs declined by 42.5 per cent. With acceleration in growth of manufacturing sector, improvement in

India's credit rating, and the current interest and exchange rate outlook, ECBs continued to remain attractive for funding purposes.

6.62 Apart from ECBs, debt flows in the capital account comprise of two more components – external assistance and short-term loans. External assistance (net), which is loans from official sources at concessional rates, after being net outflows in the two years ending in 2003-04, remained positive in 2005-06. Short-term external loans to India in April-September 2006 exhibited a growth of 22.2 per cent, and with their repayments rising by 13.4 per cent, the net inflows from such short-term loans almost doubled.