

NPAs .. a global view

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The seriousness of the NPA problem can be gauged by the absolute level of impaired assets in the system. Ever since the RBI had spoken of asset quality recognition (AQR) in 2015 there was an increase in the pace of recognizing these assets. It is not clear whether all have been recognized as yet, though judging from the trends witnessed so far, it does appear that the cleaning up operation on this score would be completed by March 2018. From thereon, it would be more a case of incremental NPAs being generated on account of other factors rather than one of recognition by banks.

In this context it is interesting to look at the levels of NPAs in various countries to view how India stands in comparison. Information has been taken from IMF to maintain comparability in concepts used in calculating the same. The time period for various countries is different depending on the availability of data and hence has been mentioned. The NPA ratios for countries has been categorized under four headings: very low NPAs which are less than 1%, low level 1-2%, medium 2-5% and high levels above 5%

Table 1: Very Low levels of NPAs

Country	Time	Ratio
Australia	2017Q1	0.99
United Kingdom	2017Q1	0.99
Hong Kong	2017A1	0.83
Canada	2017Q2	0.52
Korea, Republic of	2014A1	0.49

Table 2: Low level of NPAs

Country	Time	Ratio
Chile	2017M9	1.85
Argentina	2017Q3	1.84
Philippines	2017Q2	1.78
China	2016Q2	1.75
Germany	2017Q2	1.69
Malaysia	2017Q2	1.65
Saudi Arabia	2017Q2	1.41
Japan	2017Q1	1.32
Norway	2017Q2	1.28
Singapore	2017Q2	1.22
United States	2017Q2	1.15
Sweden	2016A1	1.04

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Table 3: Medium level of NPAs

Country	Time	Ratio
Poland	2017Q2	4.08
Czech Republic	2017Q2	4.04
Brazil	2017Q2	3.69
France	2017Q2	3.41
Belgium	2017Q2	3.19
Turkey	2016Q4	3.11
Thailand	2017Q2	3.11
Indonesia	2017A1	2.94
South Africa	2017M8	2.83
Austria	2017Q2	2.53
Netherlands	2017Q3	2.38
Mexico	2017M7	2.08

Table 4: High level of NPAs

Country	Time	Ratio
Greece	2017Q2	36.37
Italy	2017Q2	16.35
Portugal	2017Q2	15.52
Ireland	2017Q2	11.85
India	2017Q2	9.85
Russia	2017Q1	9.72
Romania	2017Q2	8.32
UAE	2017Q3	6.70
Hungary	2017Q2	5.36
Spain	2017Q2	5.28

Some highlights:

- The 4 major economic drivers in the developed world, UK, USA, Japan and Germany had ratios less than 2%.
- Within the EMEs, China, Argentina and Chile had low ratios of between 1-2%.
- Within the developed countries, France had a higher NPA ratio of 3.41%. Brazil and South Africa, which are part of the BRICS Group of nations, had moderately high ratios of 3.69% and 2.83% respectively.
- India's NPA ratio (which excludes the restructured assets which are around 2% higher than NPA) is one of the highest in the group.
- The countries with higher NPA ratios than India are part of the PIIGS group- Portugal, Greece, Italy, Ireland. Spain had a lower number of 5.28%

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