GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4066
ANSWERED ON:26.08.2011
MACRO ECONOMIC BALANCE
Sule Supriya

Will the Minister of FINANCE be pleased to state:

(a) whether the deluge of capital from overseas investors could thwart efforts to manage the difficult price situation;

(b) if so, whether the foreign inflows are a challenge for forex and monetary policy management at present, but could change at short notice, and whether the situation would be monitored continuously;

(c) whether the economy had done well in recovering its momentum but the key challenges to control prices, improve infrastructure and create jobs remain in order to increase the capacity of the economy to absorb capital inflows;

(d) whether according to the ministry the Indian economy is headed for 9% plus growth in coming years and the Government is also considering a raising growth to double digits;

(e) whether this would require bringing about macroeconomic balance and addressing some structural issues in the reform process; and

(f) if so, the time by which these measures are likely to be taken?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c) The current account deficit (CAD) was 2.8 per cent of GDP in 2009-10 and 2.6 per cent in 2010-11, while the capital account surplus was 3.9 per cent in 2009-10 and 3.5 per cent in 2010-11. The capital account surplus was, therefore, essentially financing the current account deficit. The intervention by the Reserve Bank of India in the foreign exchange market has also been minimal in recent months. Hence, capital flows are not a challenge for the forex and monetary policy management.

(d) to (f) The Draft Approach Paper to the Twelfth Five Year Plan (2012-17) proposes a faster, more inclusive and sustainable growth with a target of 9 per cent increase in GDP. The key requirements for achieving the goal are better performance in agriculture (at least 4 per cent growth), faster creation of jobs in manufacturing, development of appropriate infrastructural facilities, strong efforts at health, education and skill development, improving the implementation of flagship programmes and focus on backward regions and vulnerable groups.