GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2984
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CURRENT ACCOUNT DEFICIT
Choudhry Smt. Shruti;Pal Shri Jagdambika;Punia Shri P.L.

Will the Minister of FINANCE be pleased to state:

(a) the policy followed by the Government and the Reserve Bank of India to service the Current Account Deficit;

(b) the estimates vis-a-vis actual current account deficit during the last three years, quarter-wise;

(c) whether the past record have been broken during the above period and if so, the details thereof along with the reaction of the Government thereto; and

(d) the short term and long term measures envisaged and adopted to reduce current account deficit?

Answer

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

(a) & (b) The current account deficit (CAD) in India has generally been financed by the surplus under capital account. The CAD as a per cent of Gross Domestic Product (GDP) during the last three years, quarter wise, is given below:

Current Account Deficit (CAD) as per cent of GDP during last three years, Quarter wise

Sl	Year	Q1	Q2	Q3	Q4	Full Year
1	2009-10	1.4	3.0	3.4	3.1	2.8
2	2010-11	3.4	4.5	2.2	1.3	2.7
3	2011-12	3.8	4.2	4.4	4.5	4.2

Note: Q1: April-June, Q2: July-September, Q3: October −December, Q4: January-March, Full Year: April - March

(c) & (d) The CAD was 4.2 per cent of GDP in 2011-12 as compared to 2.7 per cent in 2010-11. The increase in CAD in 2011-12 has been due to widening of trade deficit on account of high imports of oil and gold & silver. To lower the impact of gold imports on CAD, Government in the Union Budget 2012-13 has increased basic custom duty on standard gold bars; gold coins of purity exceeding 99.5 per cent and platinum from 2 per cent to 4 per cent and on non-standard gold from 5 per cent to 10 per cent.

Besides, under the Annual Supplement 2012-13 to Foreign Trade Policy 2009-14, the Government has announced initiatives to boost exports to about US$ 360 billion in 2012-13. These measures include (i) extension of Interest Subvention up to March 2013, (ii) extension of export promotion capital goods (EPCG) Scheme up to 31st March 2013, (iii) extension of Focus Market Scheme (FMS) and Special FMS Scheme and (iv) increased coverage under Focus Product Scheme.

Further, the Reserve Bank of India has taken a number of steps to facilitate capital inflows to augment supply of foreign exchange. Recent measures, inter alia, include hike in FII investment in debt securities (both corporate and Government securities); enhancing all-in-cost ceiling for external commercial borrowings (ECBs) between 3-5 year maturity; higher interest rate ceiling for foreign currency Non-resident deposits; and deregulation of interest rates on rupee denominated NRI deposits. The manufacturing and infrastructure sector companies can now avail of external commercial borrowing up to a ceiling of US$ 10 billion for repayment of outstanding rupee loans towards capital expenditure.