

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:903

ANSWERED ON:27.02.2015

CAD

Chudasama Shri Rajeshbhai Naranbhai

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India has asserted that the widening of Current Account Deficit (CAD) has become a major constraint on easing monetary policy;
- (b) if so, the factors responsible for widening CAD;
- (c) whether the Government proposes to revamp its fiscal policies to bridge the widening CAD; and
- (d) if so, the details thereof and steps taken by the Government in this regard?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) Reserve Bank of India (RBI) in its Macroeconomic and Monetary Developments Third Quarter Review 2012-13, released on 28 January 2013 stated that widening current account deficit (CAD) has emerged as a major constraint in easing monetary policy. Among other things, the RBI factors in external sector risks (including the current account deficit), while setting its monetary policy stance. When the CAD widened to an all-time high of 6.7 per cent of GDP in the third quarter of 2012-13, the Monetary Policy Statement 2013-14 (May 2013) noted that By far the biggest risk to the economy stems from the CAD which, last year, was historically the highest and well above the sustainable level of 2.5 per cent of GDP as estimated by the Reserve Bank

(b) Indias current account deficit (CAD) was very high at US\$ 78.2 billion in 2011-12 and US\$ 88.2 billion in 2012-13. This was largely due to higher trade deficit arising from elevated levels of gold and silver as well as crude petroleum imports.

(c) & (d) A slew of measures including fiscal measures were initiated by the Government to contain CAD that inter-alia included increase in customs duty on gold and platinum from 8% to 10%, and on silver from 6% to 10%. As a result, the CAD declined to US\$ 32.4 billion in 2013-14 and further to US\$ 17.9 billion in the first half of 2014-15.