GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1340
TO BE ANSWERED ON AUGUST 1, 2023

IMPACT OF MODERATION IN CAD

1340. DR. ASHOK KUMAR MITTAL:

Will the Minister of Finance be pleased to state:

(a) whether Government acknowledges that the recent moderation in India's Current Account Deficit (CAD) is a result of rise in service exports as well as falling imports;

(b) whether Government acknowledges that economists advise that a decline in CAD can pose a threat to the economy at a time when the capital expenditure is at an all-time high;

(c) whether Government has taken measures to strike a balance between imports and exports, as a lot of India's export in the manufacturing sector is dependent on its imports; and

(d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) India's current account deficit (CAD) decreased to US$ 1.3 billion (0.2 per cent of GDP) in Q4:2022-23 from US$ 16.8 billion (2.0 per cent of GDP) in Q3:2022-23 and US$ 13.4 billion (1.6 per cent of GDP) a year ago, i.e. Q4:2021-22. The sequential decline in CAD in Q4:2022-23 was mainly on account of a moderation in the trade deficit to US$ 52.6 billion in Q4:2022-23 from US$ 71.3 billion in Q3:2022-23, coupled with robust services exports and inward remittances.

(b) To give a boost to capital expenditure, support growth and attract investment from the private sector, the Government has increased its capital investment outlay substantially during the last three years. Central Government's capital expenditure has increased from 2.15 per cent of GDP in 2020-21 to 2.7 per cent of GDP in 2022-23. It is budgeted to reach 3.3 percent of GDP in 2023-24. The strong push given by the government is expected to crowd in private investment. Along with that, various enabling factors have contributed to the increased capex push by private sector including deleveraging of the balance sheets of the corporates, increased credit allocation by banking sector, enabling regulatory environment, improved growth prospects etc.

Moderation in CAD is not of concern to the economy as the Government is financing the enhanced capital expenditure through buoyant revenue collection and efficient expenditure reprioritisation. The borrowing requirements i.e. the fiscal deficit of the Central Government have come down during this period from 9.2 per cent of GDP in 2020-21 to 6.4 per cent of GDP in 2022-23. It is further expected to reach 5.9 per cent of GDP in 2023-24 (budget estimate).

(c) and (d): The government is undertaking several initiatives to strike a balance between imports and exports, which inter-alia include: -

(i) Actively working with the State Governments/Union Territories, Industry Associations, Export Promotion Councils, India's Mission abroad and all other stakeholders to create an enabling environment to exports from the Country.

(ii) A dynamic Foreign Trade Policy 2023 has been announced to accommodate the emerging needs of the time.

(iii) Districts as Export Hubs has been launched by identifying products with export potential in each district, addressing bottlenecks for exporting these products and supporting local exporters/ manufacturers to generate employment in the district.

(iv) Interest Equalization Scheme on pre and post shipment rupee export credit has also been extended upto 31-03-2024.

(v) Assistance provided through several schemes to promote exports, namely, Trade Infrastructure for Export Scheme (TIES) and Market Access Initiatives (MAI) Scheme.

(vi) Remission of Duties and Taxes on Exported Products (RoDTEP) scheme has been implemented since 01.01.2021. With effect from 15.12.2022, uncovered sectors like pharmaceuticals, organic and inorganic chemicals and article of iron and steel has been covered under RoDTEP. Similarly, anomalies in 432 tariff lines have been addressed and the corrected rates have been implemented with effect from 16.01.2023.

(vii) Common Digital Platform for Certificate of Origin has been launched to facilitate trade and increase Free Trade Agreement (FTA) utilization by exporters.

As regards imports, the Government has been monitoring and sensitizing various stakeholders and following broad strategy has been followed:

(i) Addressing domestic supply rigidities and looking at domestic production opportunities /enhancement of capacity;

(ii) Timely use of trade remedy options;

(iii) Adoption of mandatory technical standards;

(iv) Enforcing rules of origin;

(v) Tariff measures /inverted duty correction;

(vi) Import data monitoring on a monthly and annual basis to identify significant changes in import basket and monitor surges in imports;

(vii) Quality Control Orders have been issued from time to time by various Ministries/ Departments of the Government for ensuring availability of quality products by stipulating conformity of the products to Indian Standards. These orders also help in containing substandard goods imports.

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