

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 1866
TO BE ANSWERED ON MARCH 13, 2023

CURRENT ACCOUNT DEFICIT

1866. Ms. Mimi Chakraborty:

Will the Minister of FINANCE be pleased to state:

- (a) whether the country's Current Account Deficit (CAD) has surged to an all-time high to the level of 4.4 per cent of the GDP in the second quarter of the current financial year from 2.2 per cent of the GDP in the first quarter of the current financial year and if so, the details thereof and the reasons therefor;
- (b) the Central debt payment to all the States during each of the last eight financial years;
- (c) whether the Government has proposed an alternate plan to meet the targets laid down by the FRBM Act review committee; and
- (d) if so, the details thereof and if not, the reasons therefor and the steps taken by the Government to balance the DEBT-to-GDP ratio by 2024?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) India's current account balance recorded a deficit of US\$ 36.4 billion (4.4 per cent of GDP) in Q2:2022-23, against US\$ 18.2 billion (2.2 per cent of GDP) in Q1:2022-23. The highest current account deficit (CAD) was recorded at 6.8 per cent of GDP in Q3: 2012-13. The size of CAD depends on several factors such as exports, imports, price of crude oil, remittance receipts etc. The Government's endeavour has always been to ensure macroeconomic stability, which involves seeking high growth in GDP, maintaining low inflation, and ensuring a manageable current account deficit.

(b) Loans provided by Central Government to the State Governments are presented in the following table.

Table: Loans provided by Central Government to the State Governments and recovery of loans from the State Governments

(Amount in Rs. Crore)

Details	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Loans provided to State Governments (net of State Project Loans) (A)	11939.76	12504.10	17768.59	3615.44	9477.35	4073.98	19553.80	22535.42
Loans repaid by State Governments (B)	10582.32	11453.53	12522.85	13057.30	14366.77	15550.89	16063.28	17491.18
Net loans disbursed to State Governments (A-B)	1357.44	1050.57	5245.74	(-) 441.86	(-)4889.42	(-)11476.91	3490.52	5044.24

Note: This excludes short term Ways & Means Advances and back-to-back loans provided for GST Compensation cess.

(c) No Sir. However, in line with the commitment made on the Budget Speech for 2021-22, the Central Government is to pursue a broad path of fiscal consolidation to attain a level of fiscal deficit lower than 4.5 per cent of GDP by 2025-26.

(d) The Government has been prescribing a glide path towards reduction in fiscal deficit with a resultant reduction in public debt to GDP ratio. However, the arrival of Covid-19 pandemic towards the end of 2019-20 and its continuation in 2020-21 and beyond has disrupted the glide path severely. The unprecedented global health shock raised the fiscal deficit to 9.2 per cent of GDP in 2020-21 which, following the debt sustainability path, was reduced to 6.7 per cent in 2021-22 and is expected to decline to 6.4 per cent in RE 2022-23 and 5.9 per cent of GDP in BE 2023-24. In line with these estimates, the Central Government revised debt to GDP target for 2022-23 from its budget estimate of 60.2 per cent to 57.0 per cent. Further debt to GDP for 2023-24 is budgeted at 57.2 per cent.

As per Medium Term Debt Management Strategy, the Fiscal Policy strategy of the Central Government for 2023-24, is guided by the basic premise of augmenting and concretizing the growth momentum despite global headwinds and challenges of hovering uncertainties across the globe while remaining committed to the path of fiscal consolidation and improving the quality of Government Expenditure. The boost to capex is expected to generate the multiplier effect that may counter the drag in demand due to exogenous and unknown shocks, if any, emanating from the foreign territory. The Government would also pursue a broad path of fiscal consolidation to attain a level of fiscal deficit lower than 4.5 per cent of GDP by 2025-26.
