(a) whether the Government has assessed the impact of Brexit on the Indian economy;
(b) whether India's substantial trading with both Britain and the European Union (EU) is likely to create a situation of volatility in our domestic markets;
(c) if so, the details thereof; and
(d) the measures proposed by the Government to hedge the likely impact of Brexit on money markets and capital markets in India?

FINANCE MINISTER

(SHRI ARUN JAITLEY)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 93 BY DR.SHASHI THAROOR AND PROF. SAUGATA ROY REGARDING "BREXIT" FOR ANSWER ON JULY 22, 2016

Government has assessed the impact of Brexit on the Indian economy. Thus far, India has not only avoided adverse impacts, it has in fact emerged as a safe haven for investors around the world.

For example, the rupee depreciated against the US dollar by around 1 per cent for one day post-Brexit referendum, while currencies of other emerging markets depreciated for many days. But on a cumulative basis, the rupee has actually appreciated by 0.3 per cent on 19th July 2016 over 23rd June 2016. Similarly, the Sensex fell only on one day by around 2 per cent while the equity index of many other developed and developing countries fell by a higher percentage for many days after Brexit referendum. On cumulative basis, the Sensex has risen by 2.9 per cent on 19th July 2016 over 23rd June 2016. The G-sec rate has also declined from 7.48 per cent to 7.28 per cent over this period. By virtue of its domestic policies, India is seen as a haven of stability and opportunity in these turbulent times.

As a part of the global economy, India will obviously be affected if there is slowdown in growth in the UK and EU following Brexit. India's exports in goods to the UK and EU (including UK) have been around 3 per cent and 17 per cent of our total exports. India also exports roughly $10 billion in software to both the UK and EU. Overall though, India's exports to both UK and Europe have been on a downtrend in the past two years on account of subdued demand led by a frail and scattered recovery in the region. The forecast of global growth for 2016 has also been revised downward by the IMF from 3.2 per cent to 3.1 per cent in the aftermath of Brexit.

However, these potential effects on India's growth could be offset by the weaker price of oil, which will help maintain macro-stability, and by the likelihood of more policy support in the advanced economies. Moreover, the impact of Brexit on trade, if any, in the medium term, would also depend on bilateral trade negotiations that will determine India's future market access to these countries.

While the Government and the RBI are closely monitoring the situation, India's macroeconomic fundamentals are strong. Besides, the strong forex reserves position can provide a buffer against any temporary episodes of volatility in the domestic foreign exchange market. Further, RBI's proactive liquidity management could ensure stability and calm in money markets.

As regards the stock market, the Government and Securities and Exchange Board of India (SEBI) are keeping a constant vigil. SEBI has laid down various regulations and guidelines for protecting investors' interest and ensuring orderly functioning of the stock market.

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