PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA
*****

STATEMENT BY SHRI P CHIDAMBARAM, UNION FINANCE MINISTER IN PARLIAMENT

New Delhi: August 12, 2013
Shravana 21, 1935

Following is the Text of the Statement made by the Union Finance Minister Shri P. Chidambaram in Parliament today:

"Last year, at this time, the foremost challenge to the Indian economy was the growing fiscal deficit. Hence, on August 6, 2012 I made a statement on the path of fiscal consolidation that we intended to take. Following the report of the Vijay Kelkar Committee, we promised to contain the fiscal deficit at 5.3 percent of GDP for 2012-13. While presenting the Budget, I was able to say that the fiscal deficit, according to the revised estimates, had been contained at 5.2 percent, and you extended your support to me. I thank you for your support. Actual numbers are even better, and the fiscal deficit for 2012-13 stood at 4.9 percent.

I recall this to underscore the point that, working together, we can meet the challenges faced by the economy.

Since the world economy is challenged, India's economy also faces challenges. One of the main challenges is the Current Account Deficit (CAD). In 2011-12, while financing the CAD, we had to draw upon reserves to the extent of USD 12.8 billion. Last year, we had a larger CAD at USD 88.2 billion. Nevertheless, we were able to fully and safely finance the CAD, and do even better. We added USD 3.8 billion to the reserves. We contained the CAD at 4.8 percent of the GDP.

This year too, investors and analysts have raised concerns about the CAD. Their concerns are reflected in the pressure on the exchange rate. The RBI has taken a number of measures to increase the interest rate at the short end and this has contained the depreciation of the rupee to some extent. However, we believe that we have to do more to contain the CAD, to reduce volatility in the currency market and to stabilise the rupee.

There have been extensive consultations among the Ministry of Finance, the Ministry of Commerce & Industry, Ministry of Petroleum & Natural Gas and the Reserve Bank of

India. We have the Ministry of Commerce's estimates of exports and imports and of the trade gap. Based on these consultations, we have estimated the CAD for the current year and have decided on certain measures that would ensure that the CAD will be fully and safely financed in the current year.

The measures that we will take to reduce the CAD include:

(i) Compression in import of gold and silver

(ii) Compression in demand for oil

(iii) Compression in certain imports (non-essential nature)

We will also take measures to enhance the capital inflows into India and these will include:

(i) Public sector Financial Institutions to raise quasi-sovereign bonds to finance long term infrastructure

(ii) Liberalising ECB guidelines

(iii) PSU oil companies to raise additional funds through ECBs and trade finance

(iv) Liberalising NRE/FCNR deposit schemes

As a result of these measures we expect that the CAD will be contained at USD 70.0 billion while the inflows will increase to a level that will be sufficient to finance the CAD. We also expect that, like last year, there will be a small accretion to reserves at the end of the current year.

If the CAD is contained at USD 70.0 billion, it will amount to 3.7 percent of GDP (as against 4.8 percent in 2012-13).

Notifications in respect of tariff rates will be laid before Parliament in the usual course. Administrative measures, as and when taken by the competent authority, will be put in the public domain. I am sure I can count on your support for the measures that we intend to take."

******