FICCI Comments on Current Account Deficit

New Delhi, 27 June, 2013: The current account deficit numbers released today indicated the deficit rising to USD 87.8 billion in FY13. The current account deficit to GDP ratio at 4.8% for the fiscal year 2012-13, though high has not crossed the widely anticipated 5.0% mark. The deficit dropped to 3.6% of GDP in Q4 from 6.7% in Q3. The measures undertaken by government to curb gold imports have certainly provided some respite.

Although discernible moderation has been noted in the Q4 numbers, however, such a high deficit is unsustainable and the recent plunge in the value of the rupee in all possibility will further aggravate the issue of ballooning imports. Also, with the rupee falling by about 10% since the beginning of this fiscal, we believe relying on FIIs for helping curtail the deficit is certainly not a good strategy for the long run . What we need to seek is an increase in foreign direct investments, which has witnessed some moderation. We also need to push exports and enable indian companies including SMEs, to become part of global supply chains

Going ahead it will be important to carry forward the reform agenda. There is a need to continue moving ahead on the path of opening doors for foreign investors and the announcements now have to be supported by action.

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