

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**FM STATEMENT ON CURRENT ACCOUNT DEFICIT (CAD); CONFIDENT TO
FINANCE THE CAD WITHOUT DRAWING UPON RESERVES; APPEAL TO THE
PEOPLE TO MODERATE THE DEMAND FOR GOLD AS IT LEADS TO LARGE
IMPORTS OF GOLD**

**New Delhi, Pausa 12, 1934
January 2, 2013**

The text of the Union Finance Minister Shri P.Chidambaram's Statement about Current Account Deficit (CAD) is as follows:

I have spoken about the Current Account Deficit (CAD) on a number of occasions. The Current Account Deficit, for the first half of the current year (2012-13) stood at US\$ 38.7 billion or 4.6% of GDP.

The main contributors to the CAD were

- Exports recorded a sharp decline of 7.4%, while imports recorded a smaller decline of 4.3% leading to widening of the trade deficit. Of the imports, gold imports amounted to US\$ 20.25 billion.
- This was partly made up by an increase in services exports of 4.2% and, consequently, surplus in services which amounted to US\$ 29.6 billion.
- Remittances of US\$ 32.9 billion.

Notwithstanding the widening of the CAD, the positive aspect is that the CAD was financed without drawing on reserves. This was mainly due to adequate inflow of FDI (US\$ 12.8 billion) and FII (US\$ 6.2 billion). In addition, external commercial borrowing amounted to US\$ 1.7 billion. The net result is that we have not drawn on the foreign exchange reserves and, in fact, there is a marginal accretion of US\$ 0.4 billion to the foreign exchange reserves.

As would be evident, gold imports constituted a substantial chunk of the imports and is a huge drain on the Current Account. Suppose gold imports had been one half of the actual level, that would have meant that our foreign exchange reserves would have increased by US\$ 10.5 billion. I would therefore appeal to the

people to moderate the demand for gold which leads to large imports of gold. I may add that we may be left with no choice but to make it a little more expensive to import gold. This matter is under Government's consideration.

While the CAD is indeed worrying, I think it is within our capacity to finance the CAD, thanks to FDI, FII and ECB. I would like to once again underscore the crucial importance of FDI and FII. As I have said before, attracting foreign funds to India has become an economic imperative.

I am confident that even if the year ends with a slightly larger CAD than last year, we would be able to finance the Current Account Deficit without drawing upon reserves.
