

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:712

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CURRENT ACCOUNT DEFICIT

Patel Shri Kishanbhai Vestabhai;Singh Shri Sugrib;Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

- (a) whether the economy has witnessed current account deficit or surplus during 2005-06;
- (b) if so, the details thereof;
- (c) the reasons for such development; and
- (d) the steps taken by the Government to maintain growth and stability of the economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a) During 2005-06, the economy witnessed a current account deficit.
- (b) The current account deficit for 2005-06 is placed at U.S.Dollar 10,612 million.
- (c) The current account deficit widened mainly due to the worsening of trade balance on Balance of Payments (BOP) basis. On BOP basis, in US dollar terms, while exports grew by 27.5 per cent, imports grew by 31.6 per cent, particularly on account of the impact of rise in international oil prices on oil imports. The growth in net invisibles could not fully offset the worsening trade balance.
- (d) The steps taken by the Government to maintain growth of the economy include: emphasis on enhanced public investment, diversifying agriculture, promotion of public-private partnership for infrastructure development, liberalisation of Foreign Direct Investment (FDI), facilitating growth in industries and services sector through an enabling policy environment and achieving fiscal consolidation mandated by the Fiscal Responsibility and Budget Management Act, 2003. Anti-inflationary policies of the government include strict fiscal and monetary discipline, rationalisation of excise and import duties of essential commodities so that there is no undue burden on the poor, effective supply-demand management of sensitive items through liberal tariff and trade policies, and strengthening of the public distribution system.