

CAD may narrow to below 2% of GDP in FY24: CEA

SHINE JACOB

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India's current account deficit (CAD) is expected to narrow to below 2 per cent of gross domestic product (GDP) in 2023-24 and is less of a challenge to the economy now, said India's Chief Economic Advisor V Anantha Nageswaran on Thursday.

This comes after CAD for the first three quarters of 2022-23 (FY23) stood at 2.7 per cent of GDP, following negative net terms of trade off the back of elevated crude oil prices and higher imports as a consequence of strong domestic demand recovery.

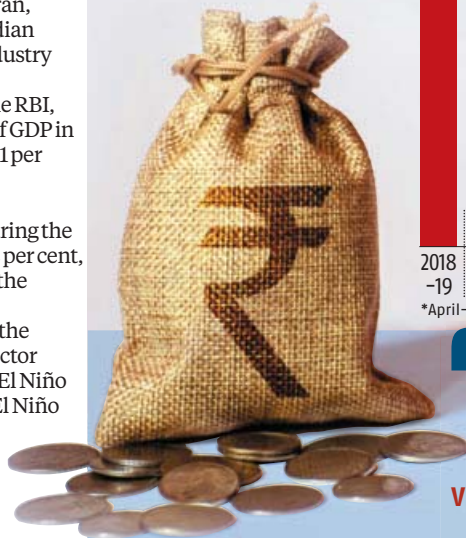
Nageswaran added that the country was also well covered in dealing with the possible impact of El Niño on the monsoon as regards handling its impact on output and prices. This comes nearly a week after Reserve Bank of India (RBI) Governor Shaktikanta Das cited the intensity of El Niño's impact as one of the concerns that may pose risks to the country's growth outlook. "The current account balance, which was a concern at the

beginning of FY23 because of oil prices going higher in April-May last year and higher food and fertiliser prices, has now stabilized. We expect CAD to be less than 2 per cent of GDP during the current fiscal year. Which means the financing of the current account is less of a challenge," said Nageswaran, addressing a Federation of Indian Chambers of Commerce & Industry meeting in Chennai.

According to the data by the RBI, CAD had risen to 2.7 per cent of GDP in April-December 2022, from 1.1 per cent in April-December 2021, following a sharp increase in merchandise trade deficit. During the third quarter, it was seen at 2.2 per cent, compared with 3.7 per cent in the second quarter.

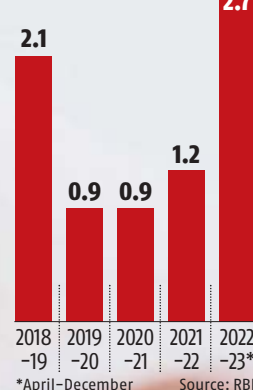
Nageswaran believed that the country and its agricultural sector would be able to tide over any El Niño impact on the economy. The El Niño developing in the Pacific Ocean is likely to pose a risk to the monsoon in India, with experts citing an effect on the agricultural sector.

STATUS CHECK



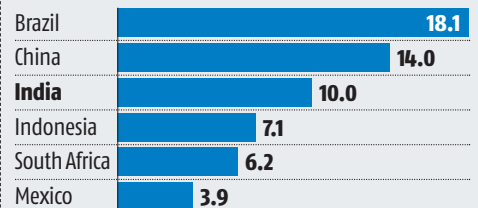
Signs of relief

CAD as a % of GDP



Months of import cover

EMERGING MARKET ECONOMIES



ADVANCED ECONOMIES



“THE CURRENT ACCOUNT BALANCE WAS A CONCERN AT THE BEGINNING OF FY23 BUT NOW IT HAS STABILISED. THIS MEANS THE FINANCING OF THE CURRENT ACCOUNT IS LESS OF A CHALLENGE”

V ANANTHA NAGESWARAN, Chief economic adviser

