

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1843
ANSWERED ON 02 AUGUST 2022

FINANCE MINISTER'S MONTHLY ECONOMIC REPORT FOR MAY 2022

1843. Shri Derek O' Brien:

Will the Minister of Finance be pleased to state:

- (a) whether Government has a strategy to mitigate the twin deficits in the country's fiscal as well as current accounts, as flagged in the Finance Minister's Monthly Economic Report for May 2022; and
- (b) if so, the details thereof, and if not, the reasons therefor?

MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b) Owing to the COVID-19 pandemic and recent global crisis, Government of India and RBI have taken a series of measures to boost growth, lower inflation and manage the current account deficit (CAD). To mitigate the widening of CAD, custom duty on gold imports has been raised from 10.75 per cent to 15 per cent. Towards increasing the capital flows for financing the CAD, the RBI has taken recent measures. These include Exemption of Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposits from the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) up to November 4, 2022; Exemption of fresh FCNR(B) and NRE deposits from the extant regulation on interest rates to allow banks to provide higher interest rates till October 31, 2022 than those offered to comparable domestic rupee term deposits with a view to attract foreign currency deposits; Revision of regulatory regime relating to Foreign Portfolio Investment in debt flows to encourage foreign investment in Indian debt instruments; Raising of External Commercial Borrowing limit (under automatic route) to \$1.5 billion and the all-in-cost ceiling by 100 bps in select cases up to December 31, 2022; Allowing Authorised Dealer Category-I (AD Cat-I) banks to utilise overseas foreign currency borrowing for lending in foreign currency to entities for a wider set of end-use purposes, subject to the negative list set out for external commercial borrowings.

The fiscal balance is also strengthened with Goods and Services Tax (GST) collections in the first quarter of 2022-23 registering a growth of 36.4 per cent compared to the corresponding period of the previous year indicating a stronger revenue position of the Government. Further, a recent revision in GST rates and revival in consumption and investment demand supported by government interventions is expected to further boost government's revenue collections. In addition, imposition of cess of Rs. 17,000 per tonne (by way of special additional excise duty-SAED) on domestic crude is likely to enhance government receipts ensuring that fiscal deficit will be within the budgeted level of 6.4 per cent of Gross Domestic Product (GDP) in 2022-23.
