Budget thrust on FDI to address our CAD in coming years

The Economic Survey of India 2020-21 suggested that India is likely to post a current account surplus (CAS) at 2 per cent of the GDP during FY21.

The current account includes a nation's net trade in goods and services (excess /deficit of exports over imports). It also includes net foreign income from investments, such as interests and dividends, and transfer payments such as foreign aid and remittances, although these components make up only a small percentage of the total current account.

Higher contraction in merchandise imports and lower outgo for travel services compared to the contraction in merchandise exports and other current account receipts will lead to a CAS in FY21.

This CAS has occurred after a gap of 17 years. India's current account deficit (CAD) averaged 2.2 per cent of GDP in the last 10 years.

However, a CAD is not always detrimental to a nation's economy as higher imports of capital goods are used for the development of the economy.

The CAD is usually financed by a capital account surplus which includes net foreign direct investment (FDI), foreign portfolio investment (FPI), external commercial borrowings (ECBs) and NRI deposits.

The government's thrust in the Union Budget 2021 on attracting foreign investment into the infrastructure sector can not only address our CAD in the coming years, but also set the economy on a growth trajectory.

Notifications

PIB

Cereals exports see a sharp jump in April – December, 2020

https://pib.gov.in/PressReleasePage.aspx?PRID=1696738

Parliament passes landmark Major Port Authorities Bill, 2020

https://pib.gov.in/PressReleasePage.aspx?PRID=1696767

'Specialty Steel' included under the PLI scheme

https://pib.gov.in/PressReleasePage.aspx?PRID=1696702