

More steps to check CAD on the anvil, says Goyal

MUKESH JAGOTA
New Delhi, May 21

AFTERTAKING A series of steps to curb precious metal imports, the government is now set to announce more measures to prevent the current account from running into a big deficit.

“Several steps are under consideration. Various arms of government are working as a team. The situation is globally quite challenging, but we have the confidence and the courage of conviction that we’ll come out winners, even in this challenging time,” Commerce and Industry Minister Piyush Goyal said here on Thursday, when asked what more measures the government could take to contain the current account deficit (CAD) and arrest the rupee’s slide against the dollar.

On Wednesday, one-year outright forward rates for the rupee crossed the psychologically relevant 100-level against the dollar during intraday trade.

It closed at 96.82, down 29 paise from its previous close of 96.53 in spot market.

The minister did not elaborate on the plans, but said that the government has no further plans to curb non-essential imports.

Continued on Page 10

OBSTACLE COURSE

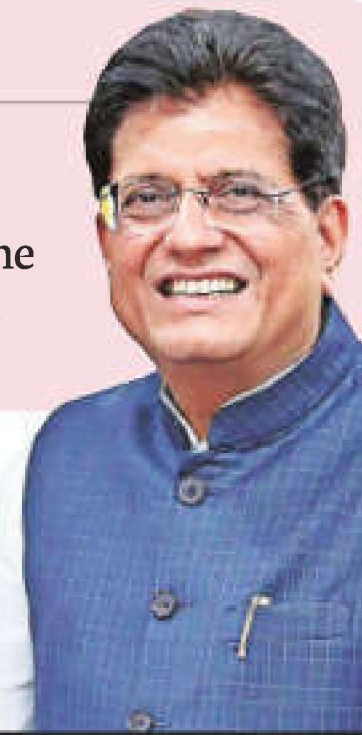
■ India’s CAD could more than **double** to **2%** or higher of the gross domestic product in FY27 from below 1% in FY26, Chief Economic Adviser V Anantha Nageswaran said recently

■ Despite the West Asia war, India’s exports grew **13.6%** year-on-year in April

■ The immediate worry is the outflow of capital as Foreign Portfolio Investors (FPIs)

PIYUSH GOYAL,
COMMERCE & INDUSTRY MINISTER

The situation is globally quite challenging, but we have the confidence and the courage of conviction that we’ll come out winners



Modi holds marathon meet as govt nears 12 years in office

FE BUREAU
New Delhi, May 21

AS EXTERNAL HEADWINDS raise the spectrum of serious macroeconomic stress, the government went into a self-assessment mode on Thursday. Prime Minister Narendra Modi called a meeting of the entire Council of Ministers to deliberate on multiple aspects of governance, policy-making and implementation of schemes and projects. The occasion also assumed impor-

tance as the Modi regime is completing 12 years in office later this month.

According to sources, Modi chaired a “marathon meeting” to review the NDA government’s achievements and draw up an action plan for the next year, focusing on reform-oriented and citizen-centric governance.

The meeting, held in the national capital, was attended by Union Cabinet ministers, ministers of state (MoS) with independent charge and MoS.

The stocktaking exercise fuelled expectations of possible Cabinet and organisational changes in the coming weeks.

According to sources, Cabinet Secretary TV Somanathan made a detailed presentation on governance priorities, including the need for ministries to improve response time, expedite implementation of policy decisions, and streamline the handling of Cabinet proposals.

Continued on Page 10

More steps to check CAD on the anvil

“WE HAVE MADE an appeal to all citizens to be more conscious about their spending on products which are import-dependent. And I think it's just very natural that every Indian who trusts Prime Minister (Narendra) Modi has taken cognisance of that, and is helping the country in every small or big way with their own actions.”

India's CAD could more than double to 2% or higher of the gross domestic product in FY27 from below 1% in FY26, Chief Economic Adviser V Anantha Nageswaran said recently.

“The current account deficit could widen from less than 1% of GDP to anywhere near 2% or 2%-plus of GDP, which we have to finance,” he said, adding that India must remain attractive for both domestic and foreign investments.

According to recent news reports, which could not be independently verified by FE,

the government is also considering steps to boost capital inflows like a significant reduction in the taxes paid by foreign investors on Indian bonds. Specifically, the government could reduce withholding tax on interest income of overseas bond investors to 5% from 20% and expedite the rollout and raise the outlays for the Export Promotion Mission (EPM). The authorities want to align policies with global norms and attract inflows, these reports said, adding that the Reserve Bank of India recommended the move.

“Deliberations to ease the tax burden have gathered pace as authorities try to curb the rupee's depreciation,” a report said, quoting unidentified sources.

Despite the West Asia war, India's exports grew 13.6% year-on-year in April. Concerns on rising import bill persists as

crude oil prices have doubled after the start of the war on February 28.

The immediate worry is the outflow of capital as Foreign Portfolio Investors (FPIs) continue to sell their equity holdings. According to estimates, FPIs have taken out ₹2.2 lakh crore since the war began. Though capital flows are outside the CAD calculation, they are used to finance the CAD.

Sell-offs by FPIs led to a steep fall in the value of the Indian rupee against the dollar. On February 28 the rupee was trading at ₹91.07. It has depreciated about 7% so far in 2026 and is down roughly 6.1% since the outbreak of the war. The depreciation would add massively to the import bill for fuel and fertilisers, stoking inflation. Already in April, the Wholesale Price Index (WPI) inflation touched 8.3% from just 3.88% in March and 2.26% in April last

year.

To check the trade deficit the government has increased the import duty on gold and silver to 15% from 6% and put other procedural restrictions on their imports. Prime Minister Narendra Modi appealed to citizens not to buy gold for a year, conserve fuel, cut edible oil use and postpone overseas travel - all of which require foreign exchange.

According to Icria, while the hike in customs duty on gold and silver may provide some respite, the merchandise deficit prints are expected to remain elevated in the near term, which is set to weigh on the CAD. Icria projects the CAD to widen to a little over 2% of GDP in Q1 FY27, following the expected seasonal narrowing in Q4 FY26. For FY27, assuming an average crude oil price of \$95/bbl, the agency expects the CAD print at ~2% of GDP, more-than-double that estimated for FY26.