

Naina Lal Kidwai on the Free Fall in Markets Today

New Delhi, 16 August 2013: “With the Rupee touching a new low of 62 for a dollar and the largest fall in two years in the equity market a sense of despondency continues. We cannot ignore global influences with a strengthening usa economy and dollar and possibility of QE tapering leading to many emerging market currencies weakening as also the rupee. The markets today experienced a free fall and has not reacted well to the Central Bank’s restrictions on rupees flows offshore with heightened fears that more restrictions may come including for FIIs. These fears need to be addressed - after all India has never restricted dividend flows offshore or indeed sales of equity share proceeds even when the situation was more dire . The fall in the Rupee essentially underlines weakness in the economic fundamentals. FICCI would want to reiterate that the current depreciation is more symptomatic in nature. We hope that the recent liquidity tightening measures and rupee outflow restrictions announced by Reserve Bank and ministry of Finance are temporary and would be reversed once we are on a firm ground. At this juncture, instilling confidence among investors should be the most important task at hand”.

The Rupee is a direct function of the economic situation and the Current Account Deficit, thus taking a long term perspective we should step up on expanding our exports and reducing our oil import dependence and gold imports. The government of late has taken a lot of measures to reduce gold imports and the results of which are already apparent. Further, we really need to work on re-emphasizing our export competitiveness both in terms of new products and destinations. FICCI is also undertaking a study on the short and long term measures to improve our Current Account Deficit position, **added Ms Naina Lal Kidwai.**

She further added that FICCI continues to watch the situation closely with a view to offering constructive suggestions in the interest of reviving growth and containing the twin deficits - recognising this is a tough balancing act.

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