

**Indian rupee, shares surge as deficit woes ease**  
**Malaysian Insider**  
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India's currency soared to its highest level this year as shares hit a lifetime peak today, buoyed by an improvement in the nation's finances and optimism a more business-friendly government may be elected.

The currency gained two-thirds of a rupee to 61.11 against the dollar, its best showing since December 10, while the benchmark Bombay Stock Exchange index jumped 1.11% to a record 21,513.87 points.

The gains came after data showed India's current account deficit – the broadest trade measure – slid to 0.9% of gross domestic product (GDP) or US\$4.2 billion in the three months to December, from 6.5% of GDP or US\$31.9 billion (RM13.65 billion) in the same period a year earlier.

"It's quite an achievement and testament to the concerted efforts of the Reserve Bank of India and the government to rein in the deficit," HSBC economist Leif Eskesen said.

The deficit's ballooning to a record 4.8% of GDP in the full 2012-13 fiscal year triggered market turmoil and prompted analysts to warn India could lose its prized investment-grade credit rating.

The current account gap had also raised worries India could face its worst balance of payments crunch in two decades.

The rupee was one of several emerging-market currencies sideswiped by foreign fund outflows after the US Federal Reserve said last May it would wind down its monetary stimulus as the American economy strengthened – a process it began in December.

But as the current account deficit has narrowed in recent quarters, the rupee has gained over 10% since plunging to a record low of 68.8 to the dollar last August.

"India has come a long way in terms of reducing its external vulnerabilities," said Eskesen.

The current account deficit dive was driven by a sharp drop in the merchandise trade deficit thanks to steps to curb precious metal imports in the gold-jewellery loving country, better exports and stronger capital inflows.

The data was released after the left-leaning Congress-led government announced phased elections starting April 7.

Finance Minister P. Chidambaram has said the current account deficit for this financial year will be just US\$45 billion or around 4.5% of GDP – well below a record US\$88 billion in 2012-13.

Markets have also been cheered by polls pointing to the election of the Hindu nationalist opposition Bharatiya Janata Party (BJP), seen as more investor friendly, in the upcoming national polls.

The share index has gained nearly 5% last month, lifted by foreigners buying back into the so-called "India story" of potential high returns.

"The Sensex hit a record high (Thursday), backed by foreign institutional investor buying," Mumbai's Alpari Financial Services chief executive Pramit Brahmhatt told the Press Trust of India news agency.

Graft scandals and an economy growing at a decade-low of just under five percent, have badly damaged the ruling Congress party's popularity.

Goldman Sachs analyst Tushar Poddar called the latest current account numbers "heartening" and forecast the improvement would be "sustained due to weak domestic demand and improving export demand". – AFP, March 6, 2014.

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