Current account deficit (CAD) at 2.5 per cent of gross domestic product (GDP) won't be a worry as the government has the required instruments to deal with any imbalance created due to foreign fund outflow, Economic Affairs Secretary Subhash Chandra Garg said on Tuesday.

"2-2.5 per cent CAD is not a problem for us.... If there is stability, in the current year capital account (inflows) should be good enough to take care and we may not worry even if it (CAD) reaches 2.5 per cent," Garg said.

CAD, which is the difference between the inflow and outflow of foreign exchange, jumped to $48.7 billion, or 1.9 per cent of GDP, in 2017-18 fiscal. This was higher than $14.4 billion, or 0.6 per cent, CAD in 2016-17 fiscal.

With rising oil prices, depreciating rupee and outflow of portfolio investments, there are concerns that CAD might rise in the current fiscal.

"Last year, we had $160 billion of trade deficit, $82 billion services surplus, and $70 billion remittances. In a way, we are pretty much in balance. But if oil goes up, this balance gets disturbed and the capital account funds it," Garg said at a CII event in the Capital.

The price of Indian basket of crude surged from $66 a barrel in April to around $74 a barrel at present.

Asked about monetary policy tightening by the US, he said India can afford to be "less edgy and concerned" than it was during taper tantrum in 2013.

"In the last couple of years of monetary easing, you did not see flood of capital flows coming into emerging markets, including India. Unlike what happened in 2007. There is a confidence that the emerging market economies will do well," he said.

He added the government needs to be "very careful and watch out" for the situation, but today "we are at a place where we can manage without having the consequences of what we saw in taper tantrum."

"We have a number of other instruments to use in that case. We have not called upon them to use so far. Last time we came out with NRE (non-resident external) deposit. We are sitting on reserves which are highest ever at $415 billion. The place where we are is possibly not the kind of situation where we were in 2013," he said.

Observing that the fund flow from portfolio investors depend on factors like yields and exchange rate, he said "we still are in good shape. CAD between 2.5-3 per cent is something not in our control. It depends on way the oil would behave.

"But we are definitely in a place where we can take care these things, unlike 10 years ago when we didn't have firepower. I think on the macro front we need to be vigilant, but we can take care," he added.

On managing fiscal deficit, he said the government has worked in a very prudent and sound manner. India would shortly achieve the targeted 3 per cent fiscal deficit level and it will be more permanent and sustainable in nature, Garg said.