

# *‘We shouldn’t be mechanical about fiscal deficit targets’*

The private sector has restored its profitability and balance-sheet strength, and thus should increase its capital expenditure plans, allowing the government to direct expenditure to other development causes, Chief Economic Advisor **V ANANTHA NAGESWARAN** told Arup Roychoudhury and Asit Ranjan Mishra in an interview ahead of the Budget. Edited excerpts:

**You have said a moderate to significant global economic slowdown will work in favour of India. Are you indicating that the Indian economy has decoupled from the developed world?**

We have not decoupled. I would argue we are coupled in different ways. One is to always think strong growth means better export prospects. But when we face imports of important items and when strong growth in the developed world has implications for interest rates, the strength of the currency, demand for commodities, oil prices, etc, you must consider all these factors. That’s why I said “on balance”, on a net basis, a global economy that is slowing is on balance a better thing for India in the current context.

**You said the government was on track to achieve a 6.4 per cent fiscal-deficit target in FY23. And that means the medium-term road map of 4.5 per cent by FY26 is being adhered to. But what sort of deficit should we be targeting beyond FY26?**

That’s a good question and it’ll be somewhat presumptuous on my part to try and answer it rightaway without thinking it through, because what a sustainable level of deficit is, and what is the deficit level that crowds out the private sector and becomes economically unproductive — all these things we need to think

through before coming up with a one-point estimate in this matter.

At the end of the day, if your debt levels are sustainable, and if the government is in a position to spend money effectively, and in areas where it needs to be spending, those kinds of

considerations will determine what the deficit number should be. We need assess various factors and take economic cycles into consideration before we

are able to come up with a one-point estimate for this.



**“WE HAVE NOT DECOUPLED (FROM DEVELOPED ECONOMIES)... WE ARE COUPLED IN DIFFERENT WAYS”**

**V Anantha Nageswaran**  
Chief Economic Advisor

**FULL INTERVIEW ON PAGE 9**

