

Confident of meeting fiscal deficit, nominal GDP targets: DEA secy

RUCHIKA CHITRAVANSHI

New Delhi, 3 September

The government is confident of meeting the fiscal deficit target of 5.9 per cent of gross domestic product (GDP) and the nominal GDP target of 10.5 per cent despite pressure in the initial months of FY24, Economic Affairs Secretary Ajay Seth told *Business Standard*.

Normally the initial months of any financial year see proportionally a higher fiscal deficit because the expenditure is evenly paced while revenue picks up in the later months, he said.

“This year the proportional fiscal deficit so far is much closer to the target than in most other years. GST collection growing at about 11 per cent is a good sign. It shows that underlying economic activities are doing well. In the course of the full year, whatever the sum total of tax revenue (target) is in the Budget will be achieved,” he said.

The government’s fiscal deficit widened to 33.9 per cent of the full-year target during April-July compared to 20.5 per cent during the same period in the preceding year, according to the data released by the Controller General of Accounts.



Economic Affairs Secretary Ajay Seth said the government was keeping a close watch on some sectors for supply-side measures to tame inflation

and severe acute respiratory infection cases and send sufficient samples for whole genome sequencing of Covid-positive patient samples.

According to the World Health Organization, while EG.5 (Eris) has been reported from over 50 countries, the variant BA.2.86 (Pirola) is in four countries. In a statement last week, the Centre said the daily average of new Covid cases continues to be below 50.

Experts like senior virologist Jacob John say that the elderly, especially those who are immunocompromised, such as organ transplant patients or cancer patients, need to take a precautionary shot of the vaccine.

More on business-standard.com

DEA secy...

Amid concern about inflation and Finance Minister Nirmala Sitharaman calling for supply-side measures instead of depending only on monetary policy to control inflation, Seth said both these steps took time to be effective. "The government is watching many sectors for its supply-side measures," he added. The retail inflation rate climbed to a 15-month high at 7.44 per

cent in July owing to prices of vegetables, pulses, cereals, and spices shooting up.

Seth said among the possible reasons for nominal GDP in the first quarter showing 8 per cent growth (lower than the 10.5 per cent) was that the wholesale price index (WPI) numbers in the first quarter of the previous financial year were very high.

The WPI started moderating significantly from the third quarter last financial year. Seth said, going forward, the WPI numbers would be more than what "we have been seeing now once the base effect wears off".

"By the end of the year, I see around 10.5 per cent of the nominal growth rate happening, as was assumed in Budget formulation," he added.

India's GDP growth of 7.8 per cent in the first quarter of FY24 had been driven by the services sector. At the same time investment has grown faster than consumption.

"The government has stepped up its capex by means of frontloading in the initial months, with 31 per cent of the Budget being utilised in the first four months. The moderate growth of consumption expenditure is not cause for concern. We do not want only consumption-

oriented growth," Seth said.

The finance ministry has been frontloading capital expenditure and tax devolution to enable states to speed up capital spending, finance development and welfare-related expenditure, and have resources for priority projects and schemes. Of the ₹10.21 trillion budgeted to be transferred in FY24, the Centre released over ₹3.09 trillion in tax devolution to states till July.

On how additional expenditure pressure would play up, he said: "There will always be pluses and minuses. As far as capital expenditure is concerned, it is clear in the finance ministry that we have to facilitate a full flow early on."

Meanwhile, tighter monetary policies have had an effect on capital flows. In this context, Seth said that any decline in the FDI numbers should not be seen on a quarter-to-quarter basis but more in the medium term. "India is not an exception in receiving less FDI."

The Department of Economic Affairs is negotiating bilateral investment treaties with several countries, including the UK. "Our best effort is to complete negotiations on investment and trade agreements at the same time," Seth added.

