

Headwinds may be turning into tailwinds for foreign inflows: FM

PHOTO: MINISTRY OF FINANCE

Says another round of Customs clean-up soon

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The headwinds may finally be turning into tailwinds for foreign investment flows into India with the announcement of a trade deal between New Delhi and Washington, Union Finance and Corporate Affairs Minister Nirmala Sitharaman said on Wednesday, arguing the country's macroeconomic fundamentals were strong even when investors began pulling out nearly a year ago.

"The fundamental macroeconomic indicators were strong then, strong afterwards, and are strong even now, but then for investment to come in, there's something else. If you take the reaction to the day before yesterday's phone conversation between the two leaders (referring to the phone call between Prime Minister Narendra Modi and US President Donald Trump on February 2), you can see the weathercock. Look at the big funds... also see the environment now having a different air... So I think that change of wind — headwind becoming a tailwind — is probably happening post the phone call," she told *Business Standard* in an interview at her office in the new Parliament building.

Sitharaman said India would soon undertake another round of Customs clean-up, signalling that the rationalisation in the Budget was not comprehensive yet. The government, she said, had deliberately sequenced the reforms rather

than executing them in a single sweep, given the multiple layers of the Customs ecosystem. "Some changes could even be introduced through treasury amendments. But it will happen...the sooner the better," she said.

The minister also said that consolidation of state-owned banks could proceed at any time without waiting for the recommendations of the proposed high-level committee on banking. "All that has been approved by the Cabinet, could happen any time," she said.

Acknowledging that the pace of fiscal consolidation budgeted for FY27 — to reduce the fiscal deficit by 10 basis points to 4.3 per cent of GDP — could have been more aggressive, Sitharaman said the aim was to retain a cushion for uncertainty. "With the global uncertainties being what they are, and having given ₹12 lakh in income tax (exemption)... I didn't want (to be) left with no room in case I wanted some flexibility in one thing or the other... Because you don't know what's going to happen globally as many challenges are still active and alive," she pointed out.

On the debt-to-GDP trajectory, Sitharaman agreed that the 50 basis point reduction for FY27 creates an impression of backloading consolidation, but that was not the intent. "I do not want that burden to be completely pushed to the rear end. If I'm in a position to extinguish more even at the beginning... it's comfortable for me. I will steadily increase it, but not really push it to be back-ended."



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“... WHETHER THE REDUCTION IN (US) TARIFF FROM 50% TO 18%... COULD HAVE INFLUENCED ME, HAD IT HAPPENED ONE DAY EARLIER (BEFORE THE BUDGET PRESENTATION), I WOULD SAY NO, NOT AT ALL. EVEN BEYOND THIS EVENT, THERE ARE UNCERTAINTIES LOOMING TODAY”

Nirmala Sitharaman, Union Minister for Finance and Corporate Affairs