

CONTAINING FISCAL DEFICIT AT 5.9%

Low nominal GDP growth a challenge



FISCAL MATHS

■ Nominal GDP (₹ trillion)

Centre's fiscal deficit (₹trillion)*

Centre's fiscal deficit as % of GDP **

	Budget Estimates	First Advance Estimates
	301.75	296.58
	17.87	17.56
	5.92	6.02

*in order to be contained at 5.92% of GDP; **in case it is retained at BE level in absolute terms; BE is Budget Estimates

Source: MoSPI and Business Standard Calculations

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The economy is likely to perform better than expected this financial year but growth in nominal gross domestic product (GDP) would be 1.6 percentage points lower than estimated in the Budget, making it a bit challenging for the Centre to contain its fiscal deficit at the targeted 5.9 per cent of GDP.

The Budget had assumed nominal GDP to grow 10.5 per cent during 2023-24, but advance estimates have projected it to expand by just 8.9 per cent.

The result is the size of the economy would be ₹296.58 trillion as against ₹301.75 trillion assumed in the Budget.

This means GDP would be lower by ₹5.17 trillion during 2023-24, as calculated by advance estimates, against what was assumed in the Budget Estimate (BE) for the year.

It implied even if the Centre managed to retain its fiscal deficit at the targeted ₹17.87 trillion, it would be 6.02 per cent as against 5.92 per cent projected in the BE for 2023-24.

To contain it at 5.92 per cent, the fiscal deficit needs to be curtailed further by ₹31,000 crore to ₹17.56 trillion.

The government has managed to control its fiscal deficit to ₹9.06 trillion till November this financial year. That was 50.7 per cent of the BE. However, if the fiscal deficit is to be contained at ₹17.56 trillion, the numbers

till November constituted 51.63 per cent of the targeted fiscal deficit.

Though this would still be lower than the 58.9 per cent till November of the previous year, it would make the task of the government to contain the fiscal deficit at 5.9 per cent of GDP a little more challenging.

While tax receipts and non-tax revenues were robust, barring the excise duty mop-up, till November, non-debt capital receipts were lower than projected. Both revenue and capital expenditures were slightly below last year's as percentage of the BE till November.

Revenue expenditure will increase due to the subsidy burden on food, etc.

Economists say while the Centre will be able to contain its fiscal deficit as targeted in absolute terms, it will slip the target by around 0.1 percentage point of GDP this financial year.

India Ratings Chief Economist Devendra Pant said the government was likely to achieve its FY24 fiscal deficit target in level terms. However, slower nominal GDP growth may push the fiscal deficit in ratio terms to 6 per cent of GDP, he adds.

ICRA Chief Economist Aditi Nayar said she did not expect the fiscal deficit target of ₹17.9 trillion for FY24 to be breached.

"Nominal GDP lower than what the Union Budget had pencilled in could result in the fiscal deficit printing at 6 per cent of GDP," she said.