

Economic vision, not stimulus, in Modi 3.0 Budget: Goldman Sachs

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The upcoming Union Budget is likely to stick to the path of fiscal consolidation, said analysts at Goldman Sachs in a recent note, who expect Finance Minister Nirmala Sitharaman to focus on the broad economic agenda rather than doling out minor stimulus measures.

There is limited fiscal space, the note said, to stimulate the economy given high public debt. That apart, India's infrastructure upgrades have created long-term positive growth spillovers, which they believe policymakers may not be willing to give up.

"The Centre will use the Budget as an opportunity to make a big-picture statement about the long-term economic policy vision over the next several years, rather than minor stimulus announcements," wrote Andrew Tilton, chief Asia-Pacific economist and head of EM economic research

Set up credit guarantee fund for agri loans: SBI report

A research report by State Bank of India (SBI) has called for setting up of a comprehensive credit guarantee fund for agriculture and allied sectors to ensure coverage of all fresh farm loans with a capital outlay of ₹11,320 crore over five years. Run by a trust, the guarantee fund should cover agriculture value chain financing to work as credit accelerator, the SBI report said ahead of the tabling of Union Budget 2024-25.

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at Goldman Sachs in a note co-authored with Santanu Sengupta and Arjun Varma. "The announcements are likely going to align with the government's development agenda for 2047 (coinciding with centennial of Indian independence)," Tilton said.

The analysts said the government was likely to stick to the announced fiscal deficit target of 5.1 per cent of FY25 gross

domestic product (or even slightly lower) and announce consolidation to a deficit of below 4.5 per cent of GDP by FY26.

"Even if we see some expenditure allocation towards welfare spending, it may not require a reduction in capex given the higher than expected dividend transfer from the Reserve Bank of India (RBI). If the government chooses to



change income tax policy, based on our assessment of hypothetical scenarios, the revenue loss of the government is likely to be around 5-15 basis points (bps) of GDP with the fiscal impulse being meager around 2-7 bps in FY25."

Job creation through labour-intensive manufacturing, credit for MSMEs, continued focus on services exports by expanding global capability centres, and a thrust on domestic food supply chain and inventory management to control price volatility are some of the areas, the research and broking house said, that the Modi 3.0 Budget is likely to focus on. The Budget, Goldman Sachs said, was also likely to lay out a path for the future of public finance in India, entailing a roadmap for public debt sustainability and green finance.

A reduced political mandate for the BJP, the analysts said, would require more political capital to be spent behind passing structural reforms.