

FinMin may target fiscal deficit of 5.5-6% in FY24 Budget

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In the upcoming Union Budget, Finance Minister Nirmala Sitharaman is likely to target a fiscal deficit in the range of 5.5-6 per cent of nominal gross domestic product (GDP) in the next fiscal year (FY24), according to people aware of the matter.

This means the government will stick to its fiscal consolidation road map, which envisages a deficit of 4.5 per cent of GDP by FY26.

“We will stick to the medium-term fiscal consolidation road map, which was a commitment made by the finance minister in the 2021 Union Budget,” said a senior official.

In the last medium-term fiscal policy statement, tabled in

Parliament along with the FY23 Union Budget, the finance ministry had said: “In line with the commitment made in the Budget for FY22, the government would pursue a broad path of fiscal consolidation to attain a level of fiscal deficit lower than

STICKING TO ROAD MAP

■ **Medium-term deficit target**
4.5% by FY26

■ **Govt expects healthy direct tax collections** in FY24

■ **Global slowdown may impact indirect tax collections**

■ **Govt hoping for better savings in non-core expenditure** in FY24



4.5 per cent of GDP by FY26.”

“The government would continue with its efforts to attain sustained, broad based economic growth, and take such measures as may be necessary to protect the lives/livelihoods of the people, while adhering to the path of fiscal rectitude,” it had said.

There are a number of global and domestic economic considerations that policymakers in North Block are factoring in. They are confident that a target in the above-mentioned range could be achievable.



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RUN-UP TO THE

BUDGET 2023-24

With the Indian economy projected to be on relatively stronger footing, officials expect another year of healthy direct tax collections in FY24. The official quoted above said direct taxes could grow by 15-20 per cent next year, much higher than this year’s budgeted growth rate of 13.6 per cent.

However, global headwinds could complicate matters. According to the International Monetary Fund’s latest World Economic Outlook, a third of the global economy is expected to slip into recession in 2023.

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FPI...

FPI outflows throughout the week also weighed on investors' minds. FPIs were net sellers in all five sessions this week. In fact, barring one session, FPIs have been net sellers in all the sessions so far in December, and net outflows stand at ₹5,657 crore. The ₹7,090 crore that domestic institutional investors pumped into equities during this period was not enough to lift the markets.

Analysts said there was some nervousness amongst FPIs ahead of the US Federal Reserve's rate hike decision next week and warned investors against being too optimistic about risky assets in hope that the US Fed might shift to a hawkish stance. Having misjudged inflationary pressures last year central bankers would be circumspect regarding monetary policy, said market participants.

"There is a bit of profit booking by FPIs in December. Worries about recession and rate hikes have not really gone away. So there will be bouts of optimism followed by nervousness," said Andrew Holland, chief executive officer of Avendus Capital Alternate Strategies.

Central bankers had for most of last year termed inflation a transitory phenomenon before prioritising the fight against price rise even at the cost of economic distress.

FinMin...

This will include many of India's biggest trading partners in the West. Then there is China, which has continued imposing its extremely strict zero-Covid policy.

"The Indian economy will be impacted by the slowdown in the West. Both our exports and imports will be hit and that in turn may impact excise and goods and services tax (GST) collections. On the GST front, there is also the matter of base effect," said a second official.

Officials say the slowdown will affect manufacturing and other related sectors, and, hence, policymakers will have to remain vigilant.

In pre-Budget meetings with Sitharaman, industry bodies and economists sought some relaxation on personal income taxes to boost demand, and rationalisation of the capital gains tax. However, major tax changes are unlikely.

On the expenditure front, policymakers are bracing for another year of high spending commitments for flagship welfare and subsidy schemes. However, the expectation is that the ongoing exercise to curb non-priority spending is going to lead to greater savings in the coming year.

2-wheeler...

Citing an example, he said that sometimes the OBD lamp (attached to the sensor) might start glowing even when the catalytic converter's performance was as expected.

The exact location of the sensor on a two-wheeler has yet to be ascertained. Globally,

