# Fiscal deficit at 5.2-5.4% in interim Budget: Goldman Sachs

**RUCHIKA CHITRAVANSHI**
New Delhi, 12 January

The Centre, in its interim Budget, is likely to announce a fiscal deficit target in the range of 5.2-5.4 per cent of gross domestic product (GDP) for FY25 with its medium-term fiscal consolidation target of 4.5 per cent of GDP by FY26, Goldman Sachs India's fiscal outlook report said on Friday.

The report said that the government would meet the FY24 fiscal deficit target of 5.9 per cent of GDP, with expectations of receipts upside of 0.2 per cent of GDP. "If spending remains muted in the current quarter, the deficit may end up at 5.8 per cent of GDP," it said.

While income taxes and corporate taxes are expected to grow at around 15 per cent in FY25, the government is likely to lower its target for disinvestment in the next financial year. "Except in FY18 and FY19, disinvestment - asset sale receipts in the last 8 years have fallen short of Budget estimate. In FY24, based on tracking estimates, we expect disinvestment receipts to be lower than BE," the Goldman Sachs report said.

The investment banking firm also said that the focus on capex would continue, but at a slower pace than what has been seen in the last few years, given the medium-term fiscal consolidation path. The government has raised capex spending by over 30 per cent CAGR between FY21 and FY24 Budget estimates (BE), raising the budgeted capex target to 3.3 per cent of GDP, the highest in 18 years. "They will likely meet the capex target in FY24, given the upside from gross tax revenues...We expect capex growth to decline to around 10 per cent year-on-year in FY25," the report said.

It said that the government borrowing in FY25 is expected to remain elevated but with adequate demand for government bonds from FIIs and domestic investors in a policy rate easing cycle.

"We believe the Reserve Bank of India (RBI) may be a net seller of government bonds in FY25. We expect two repo rate cuts of 25bp each in Q3 and Q4 CY24," the report said. To fund the central government's fiscal deficit of nearly ₹18 trillion in FY25, Goldman Sachs has estimated a net borrowing of around ₹12 trillion, after accounting for non-market financing from small savings, state provident funds. For state governments, it has assumed 70 per cent of the fiscal deficit in FY25 - 2.5 per cent of GDP, to be financed by market loans.

## India likely to clock 7.2% GDP growth, says Deloitte

India is expected to clock a GDP growth in the range of 6.9–7.2 per cent in the current financial year on the back of improving economic fundamentals, Deloitte India said in an update to its quarterly outlook. As per the first advance estimates of national income released by the National Statistical Office (NSO), the Indian economy is estimated to grow by 7.3 per cent in the 2023–24 fiscal, against 7.2 per cent a year ago, mainly due to a good show by mining & quarrying, manufacturing and certain segments of services sectors. PTI