

# Govt may set 10.3-10.5% nominal GDP growth target

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THE CENTRE PLANS to project higher economic growth for the next fiscal, two government officials said, adding that fiscal deficit goals are being met and kept. It is likely to forecast nominal economic growth of 10.3%-10.5%, which is higher than the forecast of 9.7% for the current year to March end given by the government's statistical department this month.

The upbeat outlook could help dispel worries about an economic slowdown which have gripped markets since November. The government expects the world's fifth-biggest economy to log its slowest pace of growth in four years for 2024/25.

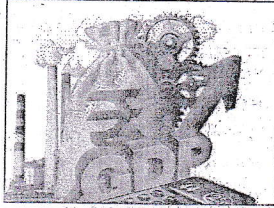
NR Bhanumurthy, director at Madras School of Economics, said the nominal GDP estimate for the next fiscal looked realistic, adding that he expects growth to be driven by government capital spending, agriculture and a pick-up in exports.

Finance minister Nirmala Sitharaman is expected to cut personal income taxes in her Budget, which is due to be presented on February 1, hoping to boost demand among millions of salary earners who have been forced to cut discretionary spending due to weak wage growth and high food inflation.

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THE TAX CUTS are not expected to affect the government's plans to reduce its fiscal deficit, the sources said, adding that the government expects this year's budget gap to come in 10-20 bps lower than an initially predicted 4.9%. That is partially due to delays in government spending



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caused by last year's national election and monsoons. The Centre will also stick to its goal of shrinking the fiscal deficit to below 4.5% in the coming financial year, they said. The finance ministry did not immediately respond to an emailed request for comments. Nominal economic growth is the sum of a country's real GDP and inflation. It is used as a base to calculate projections for a country's revenue, expenditure and deficit.

REUTERS

Kolkata