

GEARING UP FOR THE BUDGET

Economists Pencil in FY24 Fiscal Deficit at 5.8% to 6% of GDP

Expect budget to reduce subsidy spending, increase welfare and capital expenditure

Kirtika Suneja & Joel Rebello

New Delhi | Mumbai: The upcoming Union budget is expected to peg the fiscal deficit for 2023-24 at between 5.8% and 6% of the gross domestic product (GDP) with the government having pressed ahead with fiscal consolidation despite spending pressures, economists have said. The Centre is expected to meet the budgeted fiscal deficit estimate of 6.4% of GDP for the current fiscal year, they added.

Reduction in fiscal deficit in the next financial year would be backed by a reduction in subsidy spending, though capital and welfare expenditures could go up as the government prepares the ground for next general elections and assembly elections in multiple states, economists said.

The overall tax receipts for FY24 are seen lower than 2022-23 and market borrowings are likely to stay high, they said.

State Bank of India and rating agency Crisil see slightly lower fiscal consolidation in FY24 and have pegged the estimate at 6% of GDP. Most others see FY24 fiscal deficit at 5.75-5.9% of GDP.

A moderation in global commodity prices is likely to create fiscal space but economists expect higher rural and welfare spending.

Finance minister Nirmala Sitharaman will present the budget for FY24 on February 1.

"For FY24, we forecast the consolidated deficit will be 9.3% of GDP. For the central government, we expect a fiscal deficit of ₹17.7 lakh crore to be proposed (5.8% of GDP), which would allow the government to raise spending to around ₹46 lakh crore," said Rahul Bajoria, managing director and head of EM Asia (ex-China) economics of Barclays.

Goldman Sachs emphasized the need for India to return to the fiscal consolidation path for macroeconomic stability but cautioned that higher government borrowing could increase bond yields and increase funding costs for corporates. It expects India to consolidate fiscal deficit by 50 bps to 5.9% of GDP in FY24.

The government aims to

lower fiscal deficit to 4.5% by 2025-26.

One of the key pillars of India's macro stability is the gradual reduction in fiscal deficit, which also helped in reducing the current account deficit, checking inflationary pressure, and keeping the rupee stable, Goldman Sachs said.

HDFC Bank pegged deficit at 5.8%.

PRAGMATIC BUDGET, HIGH BORROWING:

India's FY23 gross market borrowing is estimated at Rs 14.2 lakh crore and economists see it rising to Rs 15-17 lakh crore in 2023-24.

Nomura expects a 5.9% fiscal gap in FY24, supported by lower subsidy spending and a ramp up in capital expenditure. "Higher rural spending and some income tax tweaks are possible, but we are not penciling in a populist budget," it said.

FY24 budget follows a turbulent year for India's fiscal dynamics, where a surge in subsidies due to the Russia-Ukraine conflict was offset by higher tax collections, Barclays said, adding that the government has also slowly but steadily been withdrawing pandemic-related emergency measures.



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If any person comes across the said lost Deed, he is requested to contact the undersigned within a period of 15 days from the date of publication of this Advertisement. RITAM RUDRA, ADVOCATE, C.M.M'S COURT, CALCUTTA Mobile No. 9330324910, 8486719629