Centre reins in debt at 56% of GDP in FY22

Committed to fiscal deficit targets for FY23: Economic Affairs Secretary Ajay Seth

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The central government has controlled its debt at 56.29 per cent of the country's gross domestic product (GDP) at the end of 2021-22, compared to 59.9 per cent as projected in the Revised Estimates (RE) of the Budget.

A part of it was due to revision in the country's GDP by the time actual data on government debt was released in the latest quarterly report on public debt management by the finance ministry's Department of Economic Affairs.

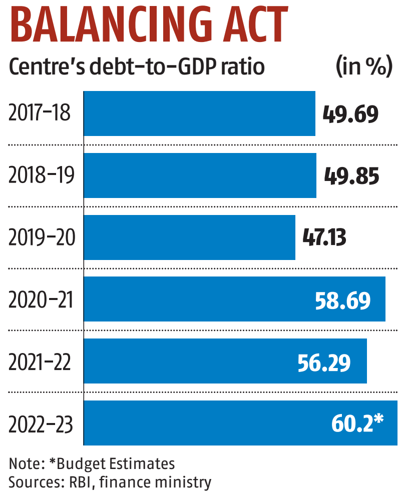
"The debt-to-GDP ratio works out to a lower percentage, as per the Quarterly Report for January-March, 2022, because the Quarterly Report has taken the published figure of GDP (₹2,36,64,637 crore) as on May 31, 2022 vis-a-vis the estimated GDP figure (₹2,32,14,703 crore) as per 2021-2022 (RE)," Economic Affairs Secretary Ajay Seth told *Business Standard* in an emailed reply.

If total government debt at ₹133.2 trillion in FY22 is calculated on the basis of earlier GDP estimates, the debt-to-GDP ratio works out to be 57.38 per cent, which is quite lower than 59.9 per cent pegged in FY22 RE.

Seth said that besides revised GDP numbers, the market borrowing was lower by an approximate amount of ₹78,000 crore during 2021-2022.

This may also be due to the Centre's fiscal deficit turning out to be lower at 6.7 per cent of GDP compared to 6.9 per cent, pegged in the 2021-22 RE.

For the current financial year, the Centre's fiscal deficit is pegged at 6.4 per cent of GDP. Though it is under pressure from rising expenditure on fertiliser and food, Seth said, "Considering the evolving scenario across the globe, the government has been taking various fiscal measures and is committed to its fiscal deficit targets.



He said the methodology used in his department's report and the Budget papers to calculate the central government's debt was more or less the same, except that the RE figures take external debt at the historical rate of exchange while the quarterly report mentions the external debt at current rates.

Generally, the Centre and states' debt are taken together to gauge their impact on various parameters of the economy, including bond yields.

The Reserve Bank of India's latest Financial Stability Report flagged the issue of rising consolidated debt-to-GDP ratio. It said at the end of March 2021, the outstanding debt of the general government (Centre and states) peaked at 89.4 per cent of GDP and is expected to remain at elevated levels until 2025-26.

"This will likely sustain a rising supply of issuances to the market, imparting pressure on yields and consequent crowding out of the private sector from the financial resources envelope," the report said.

In 2021-22, the weighted average yield of G-sec issuances increased by 49 basis points over the previous year. Going forward, yields may continue to reflect risk premia, with spillovers on the private sector through higher financing costs, it cautioned.