

Centre may peg FY26 fiscal deficit at below 4.5% of GDP

FE BUREAU
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THE CENTRAL GOVERNMENT is committed to pursuing the glide path of fiscal consolidation, as announced in the Budget for FY22, and to attain a level of fiscal deficit "lower than 4.5%" of the GDP by FY26, the finance ministry said.

Going forward, the thrust will be on improving the quality of public spending, while at the same time, strengthening the social security net for the poor and the needy. "This approach would help further strengthen the nation's macro-economic fundamentals and ensure overall financial stability," the ministry said.

The comments were part of the ministry's statement on "Half Yearly Review of the Trends in Receipts and Expenditure" in relation to the Budget at the end of the first half of FY25.

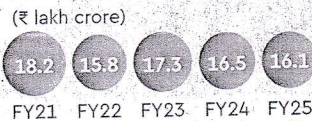
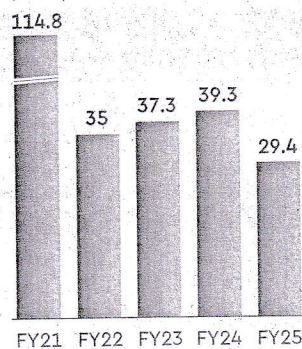
The Union Budget for the upcoming financial year, FY26, will be presented in Parliament on February 1, 2025. For the current financial year, the government has pegged a fiscal deficit target of 4.9% as a percentage of the gross domestic product (GDP). But analysts say the actual figure could be slightly lower due to low spending on capex.

The ministry further said that the Budget for FY25 was presented in the backdrop of global uncertainties caused by the wars in Europe and West Asia.

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STATE OF THE ECONOMY

Fiscal deficit
(in H1, % of GDP)



■ India's sound macroeconomic fundamentals have cushioned the country from the vagaries afflicting the global economy, the finance ministry says

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the global economy. It has also helped the nation pursue growth with fiscal consolidation," the ministry said. "As a result, India retains its pride of place as one of the fastest growing economies in the world. However, risks to growth still remain," it said.

However, since the presentation of the Union Budget for FY25 in July 2024, global headwinds and associated risks are "yet to abate", it said. "The global situation has become even gloomier due to further escalation of conflict among a set of countries."

Therefore, given the prevailing

global economic and security environment, it is necessary for the government to retain a fair degree of "flexibility" in conducting its fiscal policy so as to be able to respond to any fallout from adverse global events, said the ministry.

In April-October, the fiscal deficit, in absolute terms, stood at ₹7.5 lakh crore, 6.7% lower than the corresponding period of last year. As per the statement, in H1FY25, the fiscal deficit stood at 29.4% of Budget estimate (BE), lower than 39.3% in H1FY24. In H1FY21, the fiscal deficit (as % of BE) stood at 114.8%.

1% rise in m-cap of firms boosts GDP growth by 0.6%: SBI report

A 1% RISE in market capitalisation leads to a 0.6% rise in gross domestic product (GDP) growth rate, according to a report by SBI Economic Research Department.

In the last 10 years, funds mobilised by Indian companies from capital markets have increased more than tenfold, from ₹12,068 crore in FY14 to ₹1.21 lakh crore in FY25 (till October), added the report. Household savings in shares and debentures have increased to 1% of the GDP in FY24 from 0.2% in FY24. "A higher market capitalisation signals robust economy and higher investor confidence, consequently driving overall economic growth," said the report.

The country's savings rate at 30.2% has surpassed the global average of 28.2% as financial inclusion has increased in the country with over 80% adults now having formal financial accounts, noted the report, titled 'Role of Capital Market in Financialisation of Savings'. Since 2021, on an average around 30 million new demat accounts were added every year indicating increasing prevalence of using the capital market as a channel of financialisation of savings. This year, the number may cross the 40 million mark, the report said.

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