Stay on fiscal glide path, economists advise FM

TAKING ACCOUNT

- Since last week, Finance Minister Sitharaman has held eight pre-budget consultations
- Over 110 invitees representing seven stakeholder groups have participated
- India Inc's representatives had said that the Budget should prioritise job creation and taxation measures, which will help in increasing broad-based consumption
- Representatives of stakeholder groups across eight meetings made a number of suggestions like mechanism for green certification to help MSMEs and urban employment guarantee programme
- Economists and experts who attended the meeting included Ashwani Mahajan of Swadeshi Jagaran Manch, Monetary Policy Committee member Ashima Goyal, Aditi Nayar of ICRA, and Santanu Sengupta of Goldman Sachs, among others

Illustration: Binay Sinha

RUN-UP TO THE BUDGET 2023-24

ARUP ROYCHOUDHURY
New Delhi, 28 November

The Union government could target a fiscal deficit of 5.8-6 per cent of nominal GDP for 2023-24, and it should continue its capital expenditure push and look to simplify the personal income tax regime, economists recommended Finance Minister Nirmala Sitharaman and her team during their pre-Budget interaction on Monday.

Starting last week, Sitharaman had eight pre-Budget consultations this time. More than 110 invitees representing seven stakeholder groups participated in these meetings, the finance ministry said in a statement. The stakeholder groups included representatives and experts from agriculture and agro-processing industry; industry, infrastructure & climate change; financial sector and capital markets; services and trade; social sector; trade unions and labour organisations; and economists.

"Most economists have suggested that the fiscal deficit be kept between 5.8 per cent and 6 per cent in order to stay on the glide path towards a medium-term target of 4.5 per cent of GDP. The suggestions were that the Centre continue with its capex push, and look to simplify taxes," said a person aware of the discussions with economists.

The finance ministry was also urged to continue with long-term loans to states to support their capex programmes, and give them more leeway to spend, in order to boost growth, the person said. The broad view was that such steps would create an enabling environment for demand, which is anyway picking up after two years of the pandemic.

The economists and experts who attended the meeting included N R Bhanumurthy of Dr BR Ambedkar School of Economics University, Ashwani Mahajan of Swadeshi Jagaran Manch, Poonam Gupta of National Council of Applied Economic Research, Monetary Policy Committee member Ashima Goyal, Karthik Muralidharan, Aditi Nayar of Icra, Santanu Sengupta of Goldman Sachs, Rahul Bajoria of Barclays, Madan Sabnavis of Bank of Baroda, and Deepak Mishra of ICRIER.

Turn to Page 6

receiving offers from India for market access on a bilateral basis. Such accession agreements for the expansion of the India-UAE FTA could build up on the existing India-UAE FTA provisions and could be concluded rather quickly. This will help in providing greater economic opportunities to all the countries through faster economic and trade integration and would be a win-win deal", Dasgupta said.

Arpita Mukherjee, professor, Indian Council for Research on International Economic Relations, said: "When two countries sign a trade agreement and they are also engaged in trade deals in more than one platform (India has a bilateral agreement with the UAE and will now negotiate with the UAE under GCC), then such a clause of allowing a group of countries to join it at a later stage is put in, subject to certain terms and conditions."

The GCC is currently India's largest trading partner bloc with the bilateral trade in 2021-22 valued at over $154 billion, including exports worth $44 billion. Imports are largely dominated by crude oil. Non-oil imports were worth $37.2 billion. The GCC countries account for almost 35 per cent of India's oil imports and 70 per cent of gas imports. India's crude oil imports from the GCC in FY22 were about $48 billion, while LNG and LPG imports in 2021-22 were about $21 billion.

FM...

Apart from Sitharaman, the other budgetmakers who attended this and other meetings included Ministers of State for Finance Pankaj Chaudhary and Bhagwat Karad, Finance Secretary TV Somanathan, Economic Affairs Secretary Ajay Seth, Chief Economic Advisor V Anantha Nageswaran as well as secretaries from DIPAM, Financial Services, Corporte Affairs and other officers.

The recommendations by the economists are broadly similar to what industry bodies had suggested to Sitharaman, in their meeting last Monday. They said because of the global macroeconomic situation, the private sector may still not see a complete revival in capital expenditure, and hence urged the Centre to continue increasing capex in order to support infrastructure investment.

India Inc's representatives said the Budget should prioritise job creation and taxation measures, which would help in broad-based consumption.

According to the Finance Ministry, representatives of stakeholder groups across eight meetings made a number of suggestions, including mechanism for green certification to help MSMEs, urban employment guarantee programme, rationalisation of income tax, creation of innovation clusters, schemes for improving domestic supply chains, reduction of taxes on electric vehicles, introduction of EV policy, Social Sector Entrepreneurship Fund for social impact companies, National Regulatory Authority for Water and Sanitation, coverage of unorganised workers under ESIC, continuation of public capex, fiscal consolidation, and lower customs duties.