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PRESIDENT, FICCI

FOCUS ON BLUE ECONOMY,
EXPANDING EV ECOSYSTEM
AND DOMESTIC TOURISM
WILL PROPEL INDIA
TOWARDS THE VISION OF A
DEVELOPED NATION BY 2047



SANJIV PURI
CHAIRMAN & MD, ITC

THE RESOLVE TO BUILD
WORLD-CLASS DIGITAL,
PHYSICAL AND SOCIAL
INFRA WILL SHAPE THE
INDIA OF TOMORROW



SANJEEV KRISHAN
CHAIRPERSON,
PWC INDIA

THE BUDGET LAYS THE
FOUNDATION FOR A
SUSTAINABLE FUTURE,
WITH INCLUSIVITY AND
INNOVATION AT ITS CORE

Sharp fiscal correction to help ease debt reduction

Fiscal deficits for FY24 and FY25 set at 5.8% and 5.1%

PRASANTA SAHU

AIDED BY ROBUST non-tax revenues and some savings in capital expenditure, the Centre has further lowered its fiscal deficit target to 5.8% of GDP for FY24 from the Budget estimate of 5.9% and pegged it at 5.1% for FY25, more impressive than what the market expected, in an election year.

The Budget shows the reduction in the fiscal deficit to GDP ratio by 60, 70, and 60 basis points in three consecutive years to reach 4.5% of GDP for FY26 envisioned in the medium-term glide path. This could boost India's credentials for a sovereign rating upgrade by global rating agencies.

As a result, the Centre announced a reduction in gross borrowing by 8.4% on-year to ₹14.13 trillion for FY25 which analysts say will cool bond yields further over the coming year. "The higher than expected capex and lower than projected fiscal deficit suggest that the quality of expenditure is going to be healthier," Ica chief economist Aditi Nayar said.

The Centre's fiscal deficit, which hit 9.2% of GDP in Covid-hit FY21, the highest in the last four decades, was brought down to 6.7% in FY22 and further to 6.4% in FY23. Accordingly, the reduction in the Centre's debt-to-GDP ratio is seen from the peak of 60.8% in 2020-21, the Covid year, to 56% in 2024-25 (BE) is 4.8 percentage points.



"This will have a positive impact on the ratio of interest payments to revenue receipts. In terms of the FRBM debt-GDP benchmark of 40%, the GoI still has some distance to cover," said DK Srivastava, chief policy advisor, EY India.

Interest payments to revenue receipts, which were at around 39% in FY23, would be maintained around that level in FY24 and FY25 as well. With the assumption of a sharper expansion in revenue receipts of around 11.2% compared to revenue expenditure by about 3.2%, the revenue deficit estimate entails a substantial correction to 2% of GDP in FY25 from 2.8% projected for FY24RE and 2.9% in FY24BE.

Total expenditure is pegged at ₹47.66 trillion for FY25, up 6% on-year. The expenditure is marginally

lower in FY24RE at ₹44.9 trillion as against the BE of ₹45 trillion.

The nominal GDP growth is expected to be 10.5% and net tax revenue growth is expected to grow by 11.95%, which is a conservative estimate, according to Murthy Nagarajan, Head-Fixed Income, Tata Asset Management.

As reported by FE, the Centre has continued the thrust on capital expenditure by providing an outlay of ₹11.11 trillion for FY25, an increase of around 11% over FY24 BE and 16.9% over FY24RE. As expected, the capex outlay was moderated to ₹9.5 trillion in FY24RE from FY24BE of ₹10 trillion due to lower utilisation by states from a special capex loan facility of ₹1.3 trillion and no capital infusion in state-run oil marketing firms. Even then, the

FY24 capex works out to be over 28% from the actual of FY23.

To strengthen the hands of the states, the scheme for providing financial assistance to the states for capital expenditure introduced in 2022-23 has been extended to FY25 as well with an outlay of ₹1.3 trillion as against the revised estimate of ₹1.06 trillion for FY24 as against the FY24BE of ₹1.3 trillion. The reduction in FY24 was due to non-fulfilment of fiduciary conditions by some states.

Thanks to 188% on-year jump in surplus transfer to ₹87,416 crore from RBI in FY24, the Centre's non-tax revenues were 25% higher at ₹3.76 trillion compared with the BE. For FY25BE, the non-tax revenues are estimated to be ₹3.99 trillion, up 6% on-year.