

## **FM's fiscal deficit math turns more difficult**

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The Central Statistics Office on Monday released the advanced estimates for 2015-16. It forecast real gross domestic product (GDP) growth for the year at 7.6 per cent and nominal GDP growth at 8.6 per cent. The lower-than-expected GDP growth could make it more challenging for Finance Minister Arun Jaitley to meet his fiscal deficit target for the year.

According to 2015-16 budgeted estimates, the nominal GDP for the year was pegged at Rs 141 lakh crore and the fiscal deficit was estimated to be Rs 5.56 lakh crore. Last week, the government came out with advanced estimates for 2014-15 and pegged last financial year's nominal GDP at Rs 124.88 lakh crore. According to data released on Monday, nominal GDP for the year was now expected to be Rs 135.67 lakh crore.

Jaitley and other senior finance ministry officials have said time and again that this year's fiscal deficit target of 3.9 per cent of GDP would be met. That comes up to Rs 5.29 lakh crore. The budgeted deficit target of Rs 5.56 lakh crore was in fact 4.1 per cent of the nominal GDP advanced estimates.

On the revenue front, the finance ministry was expecting higher proceeds from non-tax revenue, especially through record dividends from state-owned companies and financial institutions and the Reserve Bank of India.

The government has also imposed additional revenue generating measures such as duties on diesel and petrol. That, coupled with an increase in service tax, was expected to lead to indirect tax figures being revised to higher than the budgeted amount by as much as 20 per cent.

On the other hand, the government's disinvestment programme had come a cropper this year due to volatile market conditions. The Centre had asked state-owned companies to buy back shares from it to make up for any shortfall. Additionally, Revenue Secretary Hasmukh Adhia said the direct tax shortfall this year could be as high as Rs 40,000 crore.

On the expenditure side, the government had boosted allocations in programmes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to combat two consecutive years of poor rainfall. In spite of low oil prices, the revised estimates on major subsidy heads could be higher than the budgeted estimates.

For 2016-17, provided the nominal GDP growth was similar to projections for this year, the nominal GDP could be Rs 147.33 lakh crore.

There is a debate in the government whether Jaitley should stick to the Fiscal Responsibility and Budget Management-mandated fiscal target of 3.5 per cent of GDP or re-assess it in the face of additional spending burden due to the recommendations of the Seventh Pay Commission; the one rank, one pension payout; pension; rural sector push and higher capital spending.

If the minister maintained the fiscal deficit target of 3.5 per cent, in absolute terms, it could come up to about Rs 5.16 lakh crore.

*(Business Standard)*