

POLL POSTURE: ON THE 2024 INTERIM BUDGET

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Finance Minister Nirmala Sitharaman's sixth consecutive Budget speech was an election-eve, self-congratulatory report card on the economic achievements engendered by Prime Minister Narendra Modi and the two governments he has led since 2014. Echoing the Finance Ministry's review of the economy's performance, and stating that Mr. Modi had inherited a situation replete with 'enormous challenges' when he assumed office, Ms. Sitharaman asserted that those were surmounted through 'structural reforms, pro-people programmes and the creation of opportunities for employment and entrepreneurship'. A reinvigorated economy had helped ensure that the fruits of development started reaching the people at scale, imbuing them with a sense of purpose and hope, and translated into a bigger mandate five years ago, she averred. In a clear sign that the Bharatiya Janata Party-led regime is far more confident of returning to power this time around, Ms. Sitharaman eschewed any announcements that could be seen as targeting a particular constituency of voters. Instead, the focus was on talking up the commitment to 'an inclusive and sustainable policy approach that had led to the attainment of a more comprehensive GDP of governance, development and performance'. A nonchalant observation that the government would detail a road map for attaining a 'Viksit Bharat' by 2047 in its full Budget in July, was premised on the certainty of winning a 'resounding' electoral mandate.

The Budget numbers posit a continuing journey on the path of fiscal consolidation, with the Revised Estimates (RE) pegging the current year's fiscal deficit at 5.8% of the GDP, a 10 basis points improvement from last February's Budget Estimate (BE) of 5.9%. This, the Minister has achieved by pruning effective capital expenditure by ₹1 lakh crore in the RE, a moderation in nominal growth estimates notwithstanding. For 2024-25, she has projected a sharper consolidation and pegged the deficit at 5.1% by factoring in a 14% jump in revenue receipts on a BE basis, that is expected to help offset an 11% increase in estimated capital expenditure to ₹11.11 lakh crore. Ms. Sitharaman, who emphasised a tripling in the capital spending outlays over the past four years that had had 'a multiplier impact on growth and employment creation', however, glossed over the fact that the budgeted increase in capital spending next year is set to be sharply lower than the 28% jump in the RE versus last fiscal's actuals. At a time when official estimates for private consumption spending show growth at its lowest ebb since the pandemic, the Budget's stress on fiscal prudence does carry the risk of undermining economic momentum. The bigger challenge is the more worrying possibility of rising inequality.



