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Budget Likely to Pencil in FY21 Fiscal Deficit at 7.5%: Experts

FALLING SHORT Tax revenue unlikely to make up for shortfall due to lockdown

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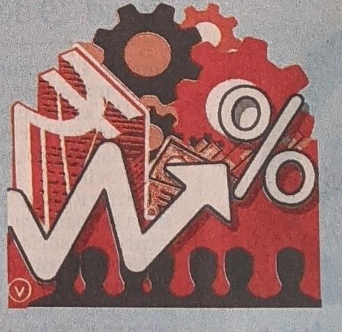
The Forecast

Institution	FY21 Deficit Estimate (% of GDP)
SBI Research	7.4
HDFC Bank	7.6
ICRA	7.5
CARE Ratings	9
DBS	7.5
India Ratings & Research	7
Barclays	7



New Delhi: The upcoming Budget could pencil in the fiscal deficit for FY21 at 7.5% of the GDP as against the budgeted 3.5%, according to the median of estimates by various experts. In a report released on Tuesday, State Bank of India (SBI) Research pegged the FY21 deficit at 7.4% of GDP on the back of a revenue shortfall accompanied by a higher-than-budgeted outgo, while it put the FY22 deficit at 5.2% of GDP.

"For FY21, we believe Rs 3.2 lakh crore is the net revenue shortfall for the Centre and at the same time expenditure is higher by around Rs 3.3 lakh crore, thus taking the fiscal deficit to Rs 14.46 lakh crore and with the new revised nominal GDP estimate, it will be around 7.4% of GDP," Soumya Kanti Ghosh, group chief economic adviser at SBI, said in the report.

While the Centre's tax revenues have shown improvement in the last couple of months, it is unlikely to make up for the shortfall on account of the lockdown, economists said. On the other hand, experts felt that the government had little scope for further expenditure compression between pandemic-related expenses and the announced stimulus measures. The Centre had pencilled in its total expenditure at Rs 30.4 lakh crore in the ongoing fiscal.

Aditi Nayar, principal economist at ICRA, forecast the deficit at 7.5% with total expenditure likely to fall marginally short of the target at ₹30.2 lakh crore, despite the fiscal support measures announced so far.

"This translates into a projected expenditure of ₹11.3 lakh crore in the last four months of FY2021, which is a considerable ~31% higher than the outgo in the same period of FY2020, and therefore may prove to be challenging to achieve," Nayar said.

As of November, official data showed the Centre's deficit had touched ₹10.7 lakh crore, 35% higher than the ₹7.96 lakh crore budgeted for the full year.

HDFC Bank put the FY21 deficit at 7.6%, according to its senior economist Sakshi Gupta. A weak market outlook had delayed the Centre's disinvestment proceeds, the target for which was already ambitious at Rs 2.14 lakh crore, the private lender said in a report.

On the revenue side, both tax and non-tax revenues are likely to pick up during the remainder of the ongoing fiscal, according to CARE Ratings, but "the gains would not be sufficient to make up for the lost revenues so far in the financial year and would also be contingent on the sustainability of the pick-up in economic activity," Madan Sabnavis, its chief economist said in a report.

CARE projected the Centre's deficit at 9% for this fiscal provided that all the fresh expenditures in the Atmanirbhar Bharat package are spent as was announced. While DBS Bank estimated the figure at 7.5%, both Barclays and India Ratings and Research saw the deficit widening to 7% in FY21.