

[Rail Budget 2013: CARE expects a conservative one](#)

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The Railway Budget 2013-14, which is a precursor to the Union Budget 2013, is critical from three points of view. First, it indicates the surplus or deficit -- which is carried into the overall deficit of the government. The Budget also gives us an idea of what the strategy will be in the Union Budget 2013-14.

Secondly, the focus will be on any changes in [freight rates](#) and [passenger tariffs](#), which have an impact on prices. And finally, the outlay on various expense heads has an impact on the concerned sectors and provides a growth stimulus by strengthening the inter linkages across the industry.

The Budget would probably target a lower surplus for FY14 compared with last year. The surplus was to go up sharply last year by around Rs 14,000 cr which should have been met given that the government has increased both passenger fares and freight rates during the year.

This being the case, the government may not be in a position to increase them again this time. Also with inflation being over 10 per cent (CPI) and diesel prices being adjusted with the market, cost pressures would be there which cannot be compensated by higher income.

Therefore, a conservative budget can be expected this time keeping in mind the impact on inflation, which has been a worry through the year.

However, the third component would be quite critical given the state of industry today. Larger capital outlays may be expected in this Budget both in terms of expansion of capital stock and implementation of additional safety measures.

This will have an impact on sectors such as steel, cement, metal products, containers, electrical equipment etc. In the past too, we have seen that higher outlays directly add to demand for these industries which in turn helped them to revive their prospects.

This aspect will be closely watched by industry which is waiting for a stimulus from the government. Therefore, to my mind, the Railway Budget will be closely coordinated with the Union Budget in terms of making expenditure more effective.

The only concern one can have here is the control on current expenditure, where maintenance costs and wage bill have added pressure on the budgetary balances. Hopefully, there will be some attempts made to control both these components.

Therefore, on the whole, one could expect a conservative Railway Budget with some focus on capital expenditure to the extent that the numbers look acceptable and are in line with the overall ideology of the FM when he presents the Union Budget on 28th.

