

## Fiscal impact of fresh stimulus package under 1% of GDP: Experts

### Synopsis

According to the finance ministry, the total value of the latest package came up to Rs 6.29 lakh crore, representing about 3% of GDP.



Finance minister Nirmala Sitharaman

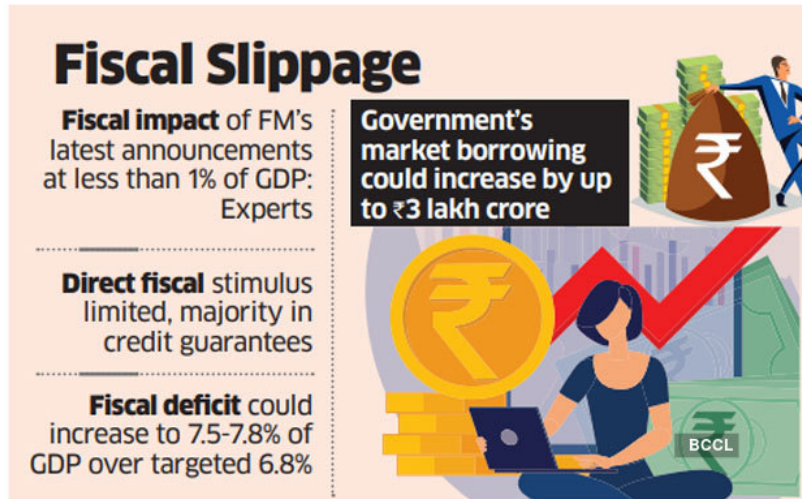
The fiscal impact of the relief measures announced by finance minister Nirmala Sitharaman was likely to be less than 1% of gross domestic product (GDP), experts have said.

Sitharaman announced a host of relief measures on Monday, targeting various sectors of the economy, some of which included fresh public spending while others were measures that were either previously announced or budgeted for. These included Rs 1.1 lakh crore loan guarantee schemes for Covid-affected sectors, Rs 97,631 crore Centre's component in a reform-linked power sector schemes, and Rs 93,869 crore for extending the free food grains scheme till November.

According to the finance ministry, the total value of the latest package came up to Rs 6.29 lakh crore, representing about 3% of GDP. Experts pointed out that much of this is in the form of credit guarantees that do not need immediate spending. The direct fiscal measures were limited to extended free food grains scheme, health infrastructure credit guarantee scheme, and additional spending on Bha ratNet – amounting to Rs 1.2 lakh crore, DK Srivastava, chief policy advisor at EY India, said.

DK Pant, chief economist at India Ratings and Research (Ind-Ra), said, “The fiscal impact of today's announcements amounts to 75-90 basis points of GDP. However, similar to last year, a large part of it could come from expenditure reprioritisation.”

At India's current GDP, 1% would be about Rs 2 lakh crore.



According to Barclays' estimates, this would push India's fiscal deficit in **FY22** to 7.5% of GDP against the targeted 6.8%.

Sakshi Gupta, economist at **HDFC Bank** [NSE -0.58 %](#), said: "Today's announcements, along with the extra fiscal spending on the vaccination programme, the free food programme and the borrowing for GST compensation cess, could imply extra market borrowings of up to Rs 3 lakh crore if the entire amount is borrowed from the market this year."

Against Rs 35.11 lakh crore of total expenditure in FY21, the latest measures would push the expenditure for FY22 to about Rs 36.6 lakh crore, said Madan Sabnavis, chief economist, **CARE Ratings** [NSE -0.47 %](#).

Ratings agency ICRA estimates the fiscal outgo in FY22 based on the fresh announcements at around Rs 60,000 crore.

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