Covid relief: No big fiscal dent seen

But Higher Subsidy On Food, Fertiliser Expected To Cause Some Slippages

TIMES NEWS NETWORK

New Delhi: The government's relief measures unveiled on Monday are unlikely to leave a large fiscal dent, although a higher subsidy bill for food and fertiliser, announced earlier, is expected to result in some slippage.

While the government pegged the impact of the series of steps at a little under Rs 6.3 lakh crore, it refrained from giving any estimate of the cost of the string of measures.

Economists were, however, unanimous in suggesting that the steps will create contingent liability in the form of guarantees, with the impact on spending being muted.

CARE Ratings estimated additional spending by the Centre at over Rs 1.5 lakh crore, of which close to Rs 1.1 lakh crore was on account of food and fertiliser subsidy.

Among the announcements made on Monday, the Centre will chip in with Rs 15,000 crore for boosting public health infrastructure, while there will be additional outgo of under Rs 10,000 crore this year on the broadband initiative for rural areas. Free visas and revival of North East Regional Agricultural Marketing Corporation aren't going to leave a big hole in the Centre's books.

WHAT DIFFERENT ESTIMATES SAY

FISCAL IMPACT OF GOVT'S MOVES

Agency	% of GDP	Additional spending (₹ lakh cr)
Barclays	0.7	1.5
SBI	0.7	1.2
CARE	0.9-1.0	1.5
ICRA	NA	0.6*

* Excluding guarantees and earlier announcements; Source: Agencies

"The fiscal impact of announcements made today and earlier is not linear as substantial portion of the package is contingent liabilities. Ignoring these, the immediate impact will be slightly more than Rs 1.23 lakh crore, which will be around 0.6% of GDP," said Soumya Kanti Ghosh, State Bank of India's group chief economic adviser.

Ratings agency ICRA's chief economist Aditi Nayar estimated it at Rs 60,000 crore, after setting aside the guarantee schemes and the announcements made earlier.

CARE's calculations of an estimated fiscal deficit of 7.7-7.8% of GDP, against the government's budget estimate of 6.8%, has also factored in the possibility of revenue shortfall — both tax and disinvestment — due to the lockdowns on account of the second Covid wave.

On its part, the government, however, remains upbeat on the revenue front, with finance minister Nirmala Sitharaman telling **TOI** last month that the Centre was on course on the disinvestment exercise.

Besides, it believes that direct tax collections so far this year as well as the GST mop-up have not been significantly hit by the lockdown across several states in April and May.

Further, bonanzas such as those from the RBI in the form of a higher surplus transfer are expected to come handy in bridging the gap.