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India's core sector output contraction deepened in October at 2.5% (Mint)

Fiscal deficit for Apr-Oct at 119.7% of budget target

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[Shreya Nandi](#)

Core sector output contracted at 2.5% in October, indicating a weakened economy





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NEW DELHI : The fiscal deficit for April-October touched a massive ₹9.53 trillion, accounting for 119.7% of the full year's budgeted target as tax collections remained under pressure because of the [covid-19](#) crisis.

In the year-ago period, fiscal deficit stood at ₹7.96 trillion, or 102.4% of the amount budgeted.

Revenue receipts were ₹6.71 trillion, or 34.2% of the budgeted target during the period, compared with 46.2% last year. Total expenditure was ₹16.61 trillion, or 54.6% of the budgeted estimate, less than the 59.4% a year ago, according to data released by the Controller General of Accounts on Friday.

The Centre has retained this year's fiscal deficit target at 3.5% of gross domestic product ([GDP](#)) but experts believe it will be a much higher 7.5-9.25%.

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“We believe the deficits based on the expenditure allocations announced by the finance minister will double this amount taking the ratio of close to 9-9.25% for the year. Hence, while tax collections can increase in proportion to growth in the next four months, it may not be possible to recoup the losses in the first 7-8 months,” Sabnavis said.

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The fiscal deficit will widen to ₹14.5 trillion or 7.7% of GDP (assuming a 7.5% contraction in nominal GDP) in 2020-21, said ICRA's Aditi Nayar. “With healthy inflows into small savings in the last few months, we do not expect a further expansion in the government's dated borrowing programme for FY2021,” she said.

Another macroeconomic indicator painted a grim picture of the Indian economy. India's core sector output contraction deepened in October at 2.5%, following a sharp recovery in September, data released by the commerce and industry showed.

The output of eight key infrastructure industries was -0.1% in September, compared to -7.3% in August, according to the data released by the government.

The core sector output data is a crucial macroeconomic data, indicating the health of the economy as it constitutes more than 40% of the index of industrial production (IIP).



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Cement (2.8), electricity (10.5), fertilizer (6.3%), and coal output (11.6%) grew in October, but the other sectors such as crude oil (-6.2%), natural gas (-8.6%), refinery products (-17%), and steel (-2.7%) contracted, according to the data.

The pace of growth in coal output could not continue at the high 21.2% reported in September and halved to 11.6% in October because of an unfavourable base effect, Nayar said. "We expect the growth in coal output may well ease further in the ongoing month led by the base effect," she said. A sharp contraction in the output of refinery products was partly because of production shutdowns, even as fuel consumption recorded a marked improvement amid an improving economy and rising mobility, she said.

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