

● MOODY'S OUTLOOK

'Budget sops to boost growth'

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THE DIRECT CASH transfer programme for farmers and tax relief steps for the middle-class will give a fiscal stimulus of about 0.45% of GDP, and support growth through increased consumption, though at a fiscal cost, Moody's Investors Service said on Tuesday.

Observing that fiscal slippage from the budgeted targets for the past two consecutive years is "credit negative" for India, Moody's said the Centre will face challenges of meeting its target again next year and this does not bode well for medium-term fiscal consolidation. It said that while the middle-class tax relief will weigh somewhat on direct tax revenues, GST collections will continue to pose risks to indirect tax collections if they fall short of budgeted expectations.

"Together, the direct cash transfer programme for farmers and the middle-class tax relief measures will contribute a fiscal stimulus of about



0.45% of GDP, which will support growth through consumption over the near term, albeit at a fiscal cost," Moody's said.

The government has budgeted for a total expenditure growth of 13.3% annually in 2019-20 from 14.7% in the current fiscal, resulting in an increase in total spending to about 13.25% of GDP from 13% of GDP this fiscal.

The government has budgeted for a gross tax revenue growth of 12.4% annually in 2019-20 from 17.2% this fiscal.

"Based on the government's nominal GDP growth assumption of 11.5%, this implies a tax buoyancy of about 1.08, which we consider to be achievable. However, similar to last year, there are risks to the downside in 2019-20," Moody's said.