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MONTHLY NEWSLETTER

January 2024

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NAVIGATING FISCAL GOALS: AN IN-DEPTH LOOK AT FY24 BUDGET HIGHLIGHTS

The recently unveiled fiscal year 2024 budget is noteworthy for its strategic approach to balancing economic growth with fiscal responsibility. This analysis delves into key aspects of the budget, including fiscal deficit targets, capital expenditure plans, green infrastructure initiatives, taxation policies, and the continued focus on the housing sector. The budget outlines a prudent fiscal deficit target of 5.1% for FY25, emphasizing fiscal responsibility without compromising economic growth. Notably, the fiscal deficit for FY24 is projected to be 5.8%, slightly below the initial estimate of 5.9%. This demonstrates a commitment to gradually narrowing the deficit and maintaining financial stability. The allocation of 3.4% of GDP for capital expenditure in FY25 reflects a continued emphasis on infrastructure development. Interestingly, this figure remains in line with FY24 levels, indicating the government's satisfaction with the pace of private capital expenditure. This strategic alignment suggests confidence in the private sector's contribution to economic growth.

The budget underscores a sustained commitment to green infrastructure, with a focus on expanding capacity in key areas such as rail transportation, manufacturing, ports, and high-density traffic routes. Noteworthy initiatives include the electrification of mass transportation and the announcement of viability gap funding for offshore wind projects. The push for rooftop solar installations for 10 million households aligns with the broader global trend towards sustainable energy practices.

The fiscal year 2025 budget reflects increased expenditure primarily driven by a higher subsidy bill of INR 400 billion and a boosted allocation of INR 260 billion to the MGNREGA program. However, the divestment target was not achieved, and the nominal GDP stood at 8.9%, lower than the estimated 10.5%.

SECTOR AND STOCK MARKET IMPACT

Overall, the budget is perceived as a continuation of existing economic strategies, with minimal incremental impacts on stock markets. A lower fiscal deficit is expected to moderate the borrowing program, potentially leading to softer yields. The planned gross borrowing for FY25 is Rs 14.13 trillion, a slight reduction from the Rs 15.43 trillion in FY24BE. This move is anticipated to contribute to a more stable economic environment

THANK YOU, AND WE LOOK FORWARD TO WORKING WITH YOU.