

FISCAL DEFICIT: FY 20 FISCAL DEFICIT SEEN AT 3.8 PER CENT, A SIGNIFICANT LOOSENING

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

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"We estimate a fiscal deficit of 3.8 per cent in RE (revised estimate) 2019-20 and 3.5 per cent for [BE](#) (budget estimate) 2020-21. This estimation is consistent with Government's abiding commitment to macroeconomic stability," Finance Minister [Nirmala Sitharaman](#) said while presenting [Budget](#) 2020-21.

The government has utilised 'escape clause' under the Fiscal Responsibility and Budget Management (FRBM) Act which provides it leeway for relaxation of fiscal deficit roadmap during time of stress.

"Section 4 (2) of the FRBM Act provides for a trigger mechanism for a deviation from the estimated fiscal deficit on account of structural reforms in the economy with unanticipated fiscal implications. Therefore, I have taken a deviation of 0.5 per cent, consistent with Section 4(3) of FRBM Act, both for RE 2019-20 and BE 2020-21," she said.

The 'escape clause' allows the government to breach its fiscal deficit target by 0.5 percentage points at times of severe stress in the economy, including periods of structural change and those when growth falls sharply.

"Accordingly, the return path is being laid before Parliament as a part of Medium Term Fiscal Policy cum Strategy Statement. This fiscal path commits us to the path of fiscal consolidation without compromising the needs of investment out of public funds," she said.

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