

GREAT EXPECTATIONS: THE HINDU EDITORIAL ON NIRMALA SITHARAMAN'S PRE-POLL BUDGET

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In the week ahead, Finance Minister [Nirmala Sitharaman will present her fifth and this government's last full-fledged Budget](#) before the Lok Sabha election in 2024. Although some electoral overtures can be made in an interim Budget next year, the Bharatiya Janata Party-led government will also be mindful of the flurry of State elections scheduled through 2023. Ms. Sitharaman has an unenviable task of balancing the pulls and pressures on fiscal resources amid multiple congregating headwinds, keeping one eye on creating a feel-good factor among voters and the other on demonstrating suitable resolve to address India's twin deficit situation and steer growth. Buoyant tax revenues this year provide comfort on meeting the fiscal deficit target (6.4% of GDP). The Finance Minister will need to show a convincing glide path to the 4.5% of GDP target laid down for 2025-26, but the widening current account deficit is of more emergent concern. Goods trade deficit hit an all-time high in the second quarter of this year, with net exports being the biggest external 'drag' on demand since late 2012-13. Ms. Sitharaman will look to raise customs duties on non-critical goods to slash the import bill, while trying to ensure Indian producers do not lose out on integration opportunities with global value chains with prohibitive or inverted duty structures for inputs and intermediates.

The export engine that has driven India's growth well recently is likely to flounder this year even if the recession in the western world is milder than anticipated. Growth will be lower than the 7% expected this year, and the challenge is to prevent it from slipping below 6%. The Budget will persist with the public capex push with private investments yet to recover across the board. A chunk of the residual resources shall be earmarked for higher rural and social welfare spends, including food and fertilizer subsidies as well as schemes such as MGNREGA and PM-KISAN. Defence spending plans will be closely watched as they tend to be pruned in recent pre-poll Budgets. Constituencies awaiting succour such as the working middle class would like a revision of the tax exemption limit (set at 2.5 lakh a year in 2014) and other sops to alleviate the impact of high inflation on spending power. The government has not played to this gallery much in its innings, perhaps because it is not a vociferous or cohesive interest group such as farmers and corporates. But with an uneven recovery in consumption holding back the investment cycle, putting money into people's hands to spur spending and facilitating more job opportunities for the youth, would be the best bet for India to drive its growth amid a tumultuous world economy.

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