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INTERIM BUDGET 2024-25: ON EXPECTED LINES

01 February 2024

Introduction

In an election year, the incumbent Government cannot present a full Budget as there may be a change in the Government after the polls. Hence, there is a need for an interim budget, which was presented today by Finance Minister Nirmala Sitharaman.

Over \$130 billion was earmarked for infrastructure, e.g., roads and ports this year, which marked a rise of 11% jump from last year, but below the nearly three-fold trendline annual increases India has been seeing since 2019. With 11.1% rise in capex, thrust on poor, women, youth & farmers, the basic philosophy of the Vote on Account, as expected by us, is "if it ain't broke, don't fix it!".

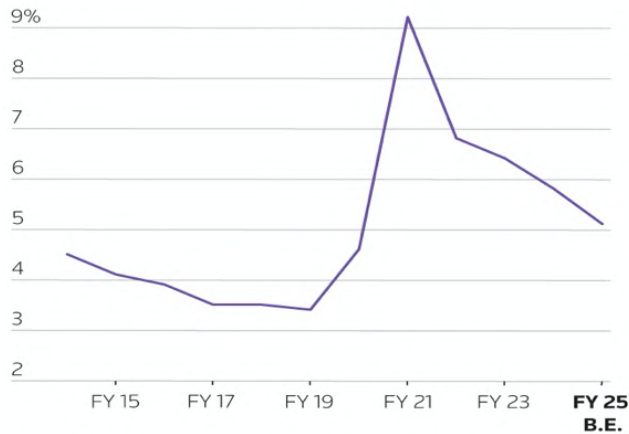
A steep fiscal deficit reduction of 70 bps was clearly anticipated by us. The FM's welcome fiscal deficit number seems to be realistic because of buoyant tax revenues. The renewed thrust on capex with its significant multiplier macro-economic effects augurs well for the Indian economy.



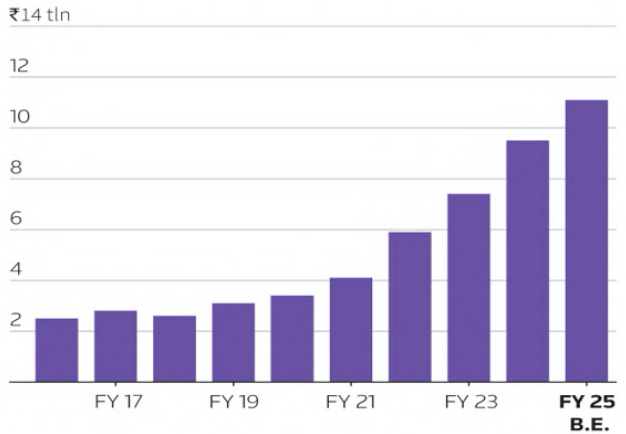
India's budget 2024-25: a snapshot

A look at some of the key figures from India's interim budget for 2024-25.

FISCAL DEFICIT AS A % OF GDP

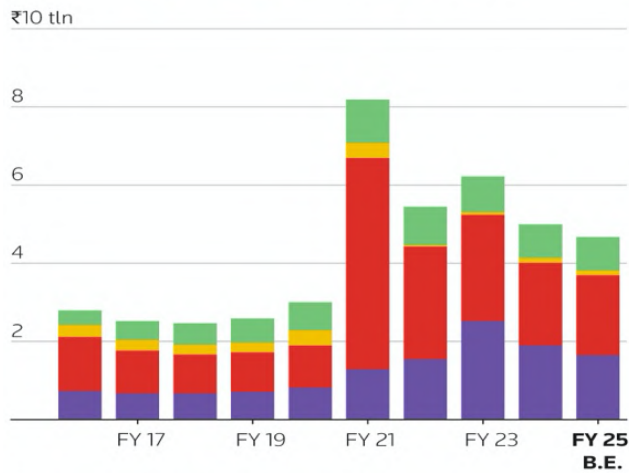


CAPITAL EXPENDITURE (IN ₹ TRILLION)



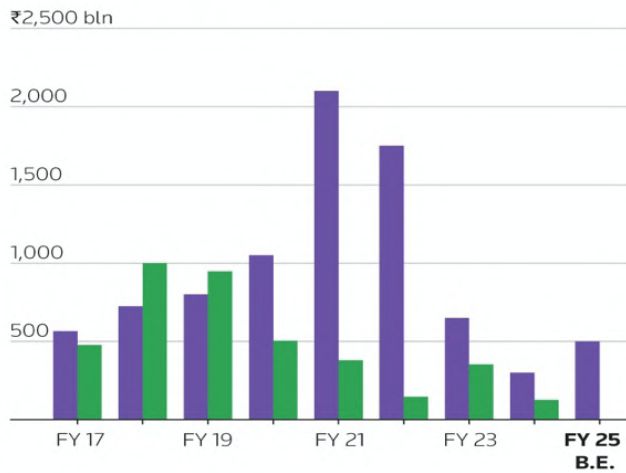
SUBSIDIES (IN ₹ TRILLION)

Legend: Fertiliser (Blue), Food (Red), Petroleum (Yellow), Employment (Green)



DISINVESTMENTS (IN ₹ BILLION)

Legend: Budget target (Blue), Receipts (Green)



Sources: India budget documents

Sumanta Sen • Feb. 1, 2024 | REUTERS

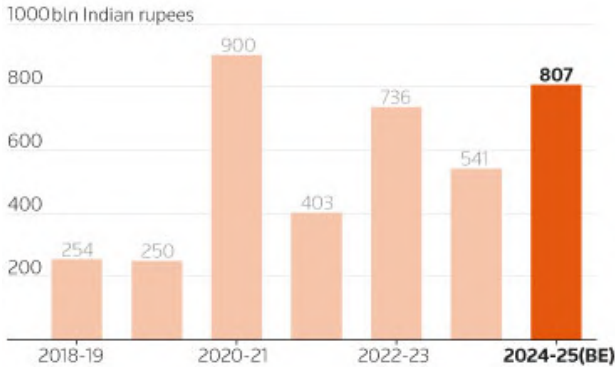
There were no changes in direct and indirect taxes, including import duties, major subsidies on food, fertiliser and fuel were 8% lower and an allocation for a rural employment scheme remained unchanged. A steady growth rate would favourably impact the stock market because “a rising tide lifts all boats”.

India budget: Expenditure on major schemes

A look at the key figures on major schemes from India's interim budget for 2024-25

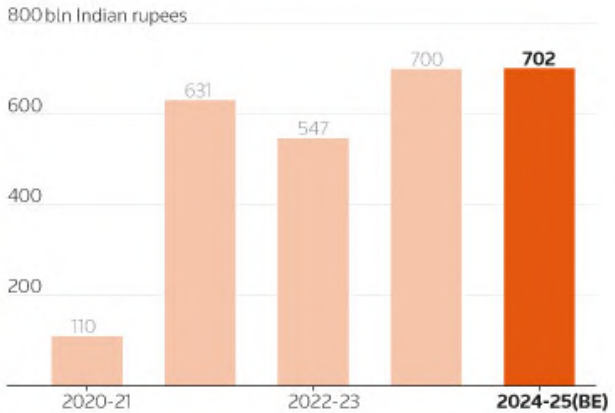
PMAY

Pradhan Mantri Awas Yojana is an affordable housing scheme for the low and moderate-income residents.



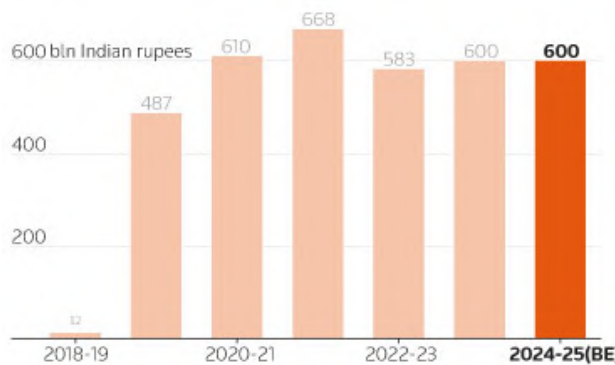
Jal Jeevan Mission

Jal Jeevan Mission aims to provide safe drinking water through tap connections to all households in rural India.



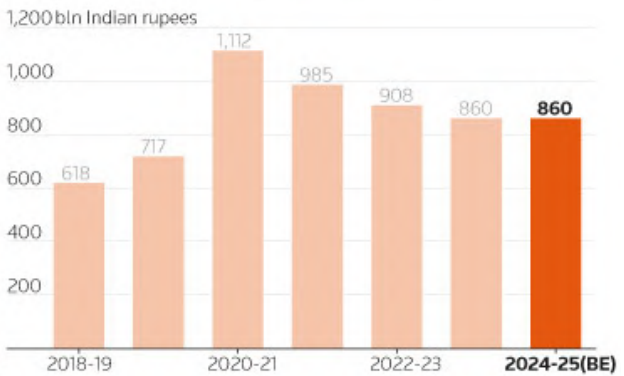
PM-Kisan

Pradhan Mantri Kisan Samman Nidhi is a minimum income support program for Indian farmers.



MGNREGA

Mahatma Gandhi National Rural Employment Guarantee Program is a government job assurance program for rural India.



Note: Numbers for 2023-24 are Revised estimates and 2024--25 are Budget estimates.
Source: India Budget documents | Reuters, Feb.1, 2024 | By Vineet Sachdev

The Finance Minister Mrs. Nirmala Sitharaman also announced some green initiatives and steps which will be taken for India to meet its net-zero commitments by 2070 in the interim budget presented in the Lok Sabha today. She also highlighted some efforts which will go towards creating a 'Blue economy.' Viability gap funding would be provided for harnessing offshore wind energy potential for initial capacity of one giga-watt. Further, coal gasification and liquefaction capacity of 100 MT shall be set up by 2030, she said, highlighting that this will also help in reducing imports of natural gas, methanol, and ammonia.

The Centre also proposes phased blending of compressed biogas in compressed natural gas (CNG) for transport, as well as piped natural gas (PNG) for households. Financial assistance will be given for those seeking to procure biomass aggregation machinery.

The focus on people-centric development is manifested in the accent on physical, digital and social infrastructure, extension of healthcare cover under Ayushman Bharat, strengthened financial sector, DBT, street vendors, Skill India Mission, a housing scheme for deserving middle class to buy or build their own houses and increased milk and dairy production.

Welcome measures relating to Mudra Yojana, Financial assistance to farmers, crop insurance, e-NAM, women entrepreneurs, higher female enrolment in higher education, SHGS and sustainable development would resonate across the development spectrum and, therefore, also help at the hustings.