

INDIA FY25 BUDGET

Striking a fine balance

July 2024

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Macro backdrop

ELECTION YEAR

Interim Budget in February 2024



WHAT HAS CHANGED SINCE

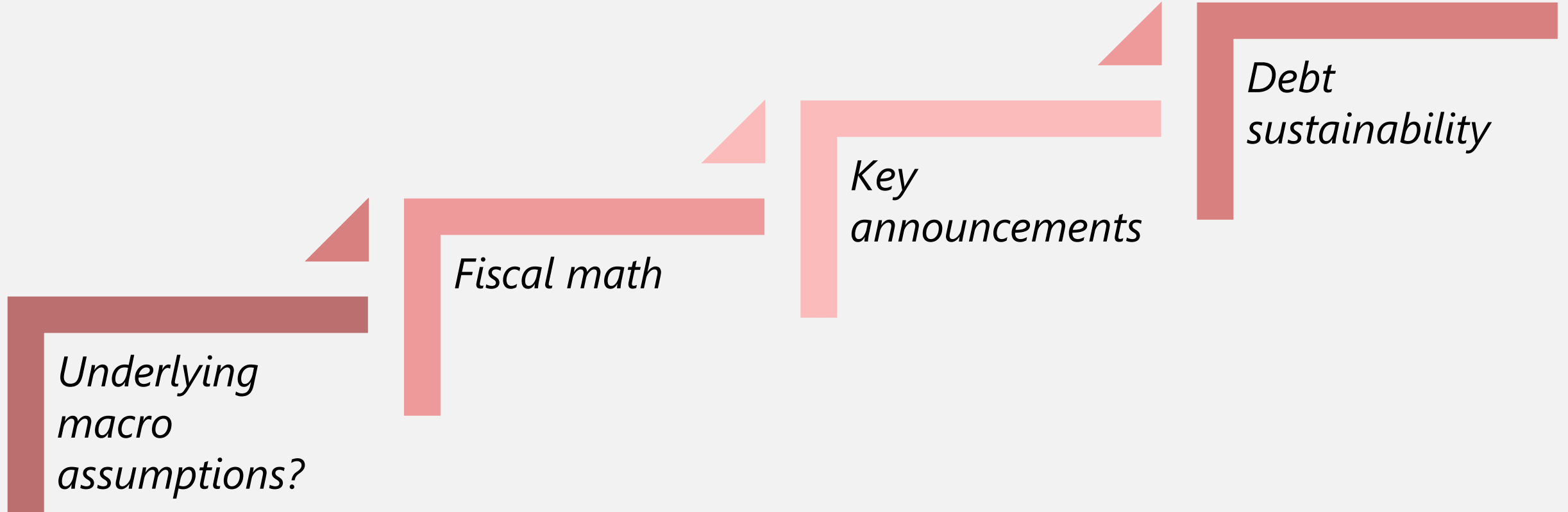
Revenues, Rating, wider pool of investors, strong FY24 finish



FINAL BUDGET FOR FY25

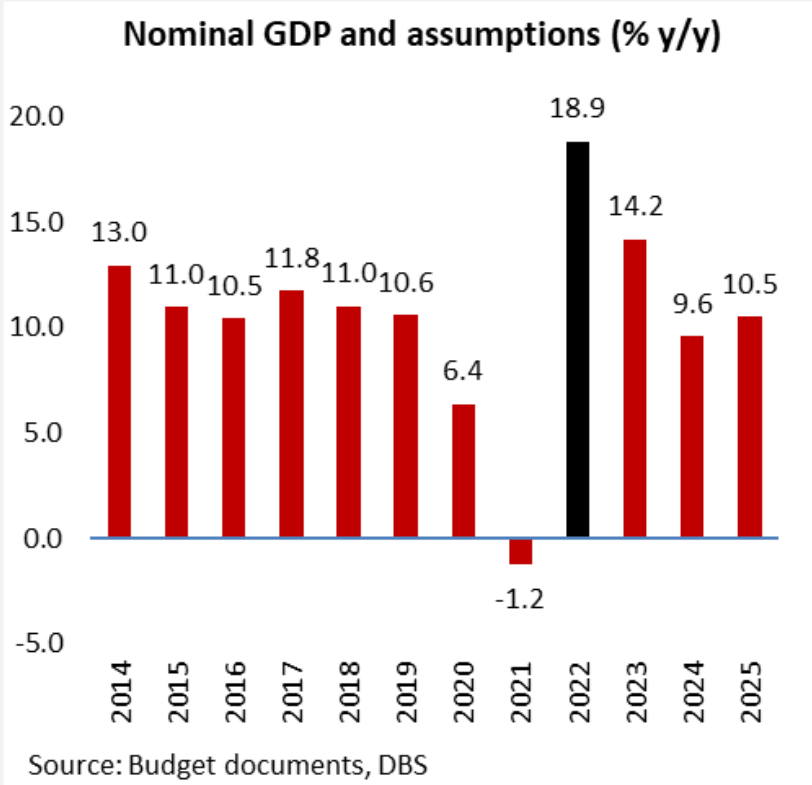
Consolidation without expenditure compression

FLOW



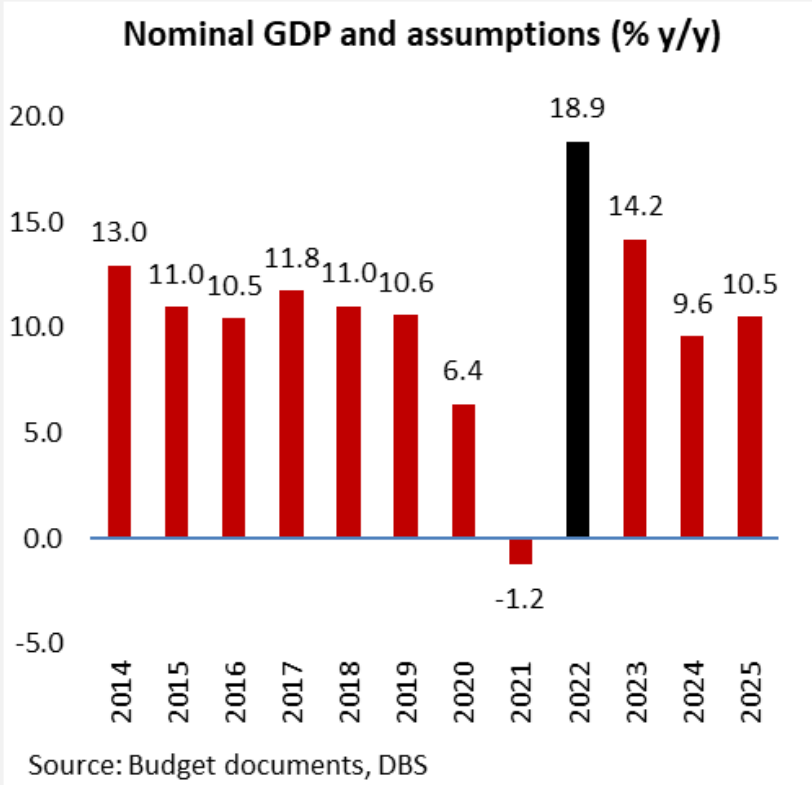
#1 Underlying macro assumptions

Growth numbers

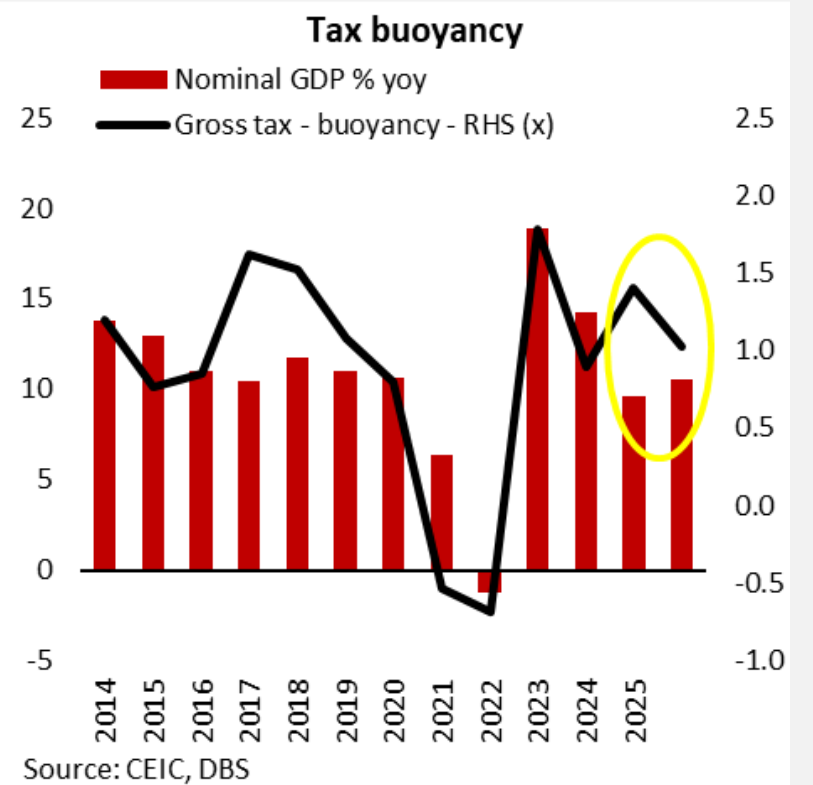


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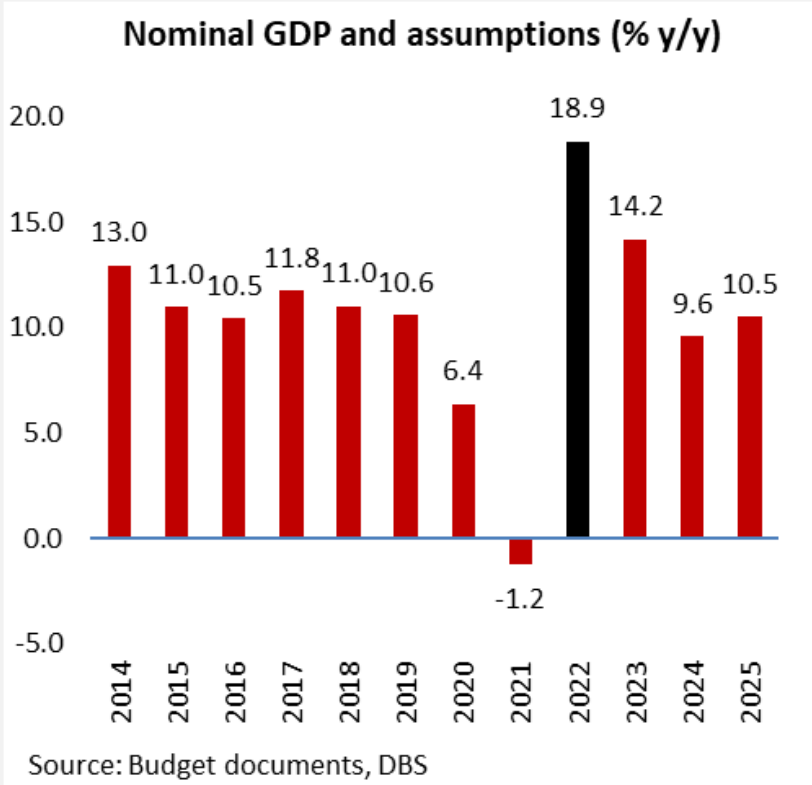


Tax buoyancy

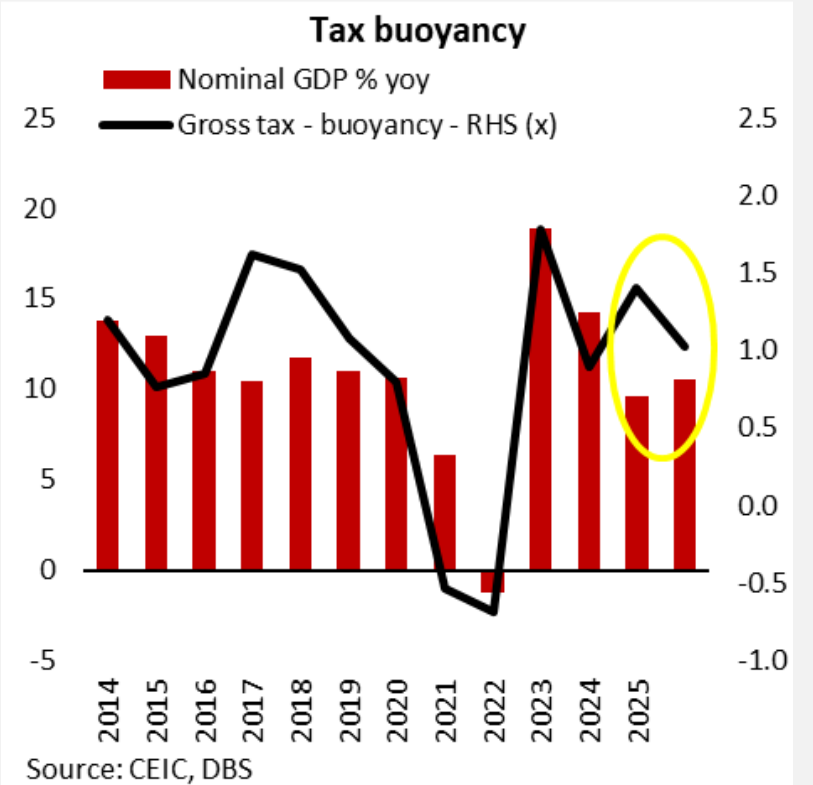


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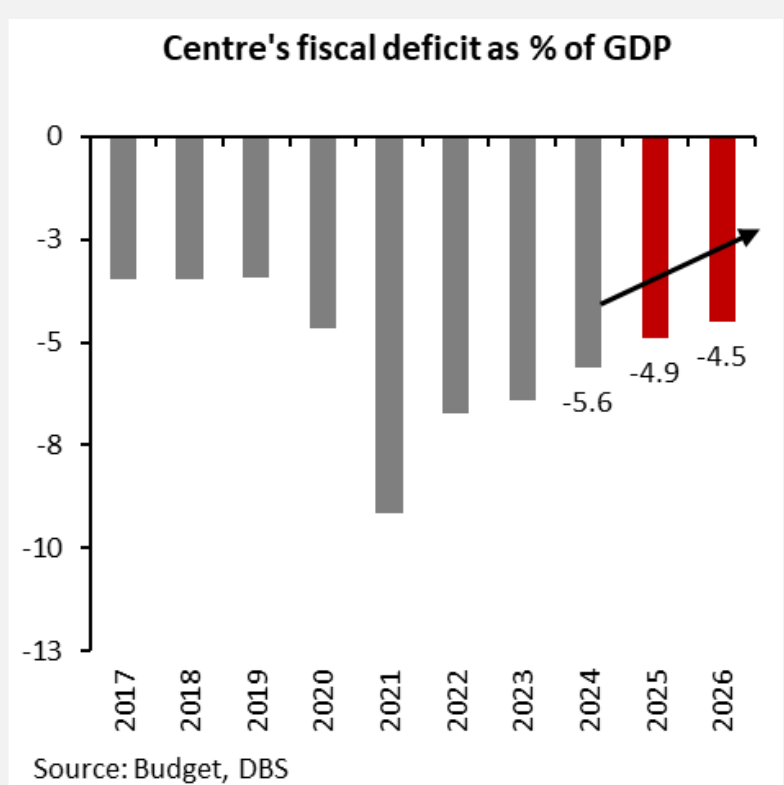
Growth numbers



Tax buoyancy



Scale of consolidation



State plus centre deficit – 5y low

#2 Fiscal math – under the hood

Into FY25, there were four key developments

- *Revenue cushion: 0.4% of GDP (RBI transfer plus direct taxes)*
- *FY24 deficit was 20bp better than estimated*
- *S&P: Rating outlook upgrade*
- *Wider pool of investors – JPM Index, Bloomberg indices*

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Key Ratios

Components	FY23	FY24	FY25	
			Interim BE	Final BE
Fiscal deficit	17.38	17.87	16.50	16.10
% of GDP	-3.0	-5.9	-5.6	-4.9
Revenue deficit	10.70	8.69	8.40	5.80
% of GDP	-3.9	-2.9	-2.8	-1.8
Effective Revenue Deficit	7.63	5.00	5.19	1.89
% of GDP	-2.8	-1.7	-1.8	-0.6
Primary deficit	8.09	7.06	6.79	4.50
Others	-3.0	-2.3	-2.3	-1.4

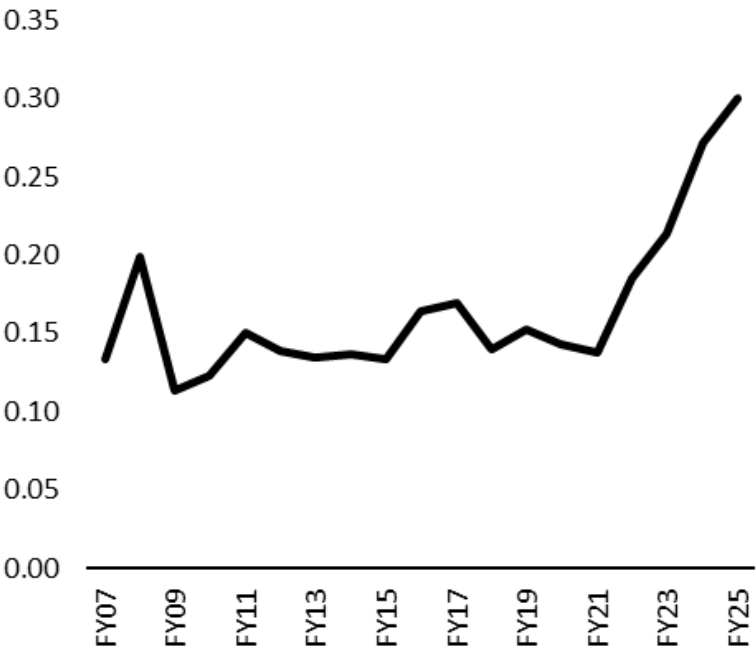
Source: Budget documents, DBS

*Effective revenue deficit = Revenue deficit minus grants for creation of capital assets

*Primary deficit = Fiscal deficit minus interest payments (borrowings channeled for needs apart from interest payments)

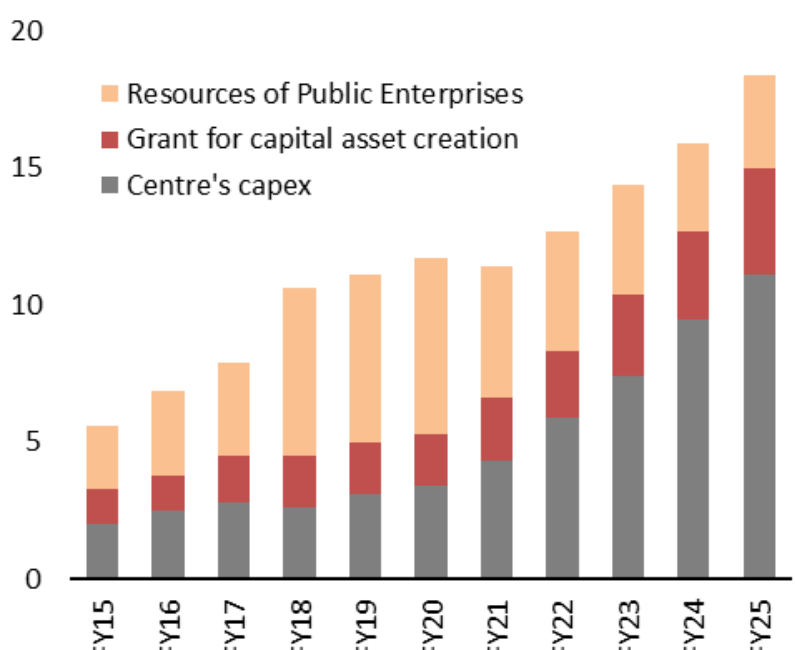
#2 Fiscal math - under the hood

Capex vs Revenue expenditure (ratio)



Source: CEIC, DBS

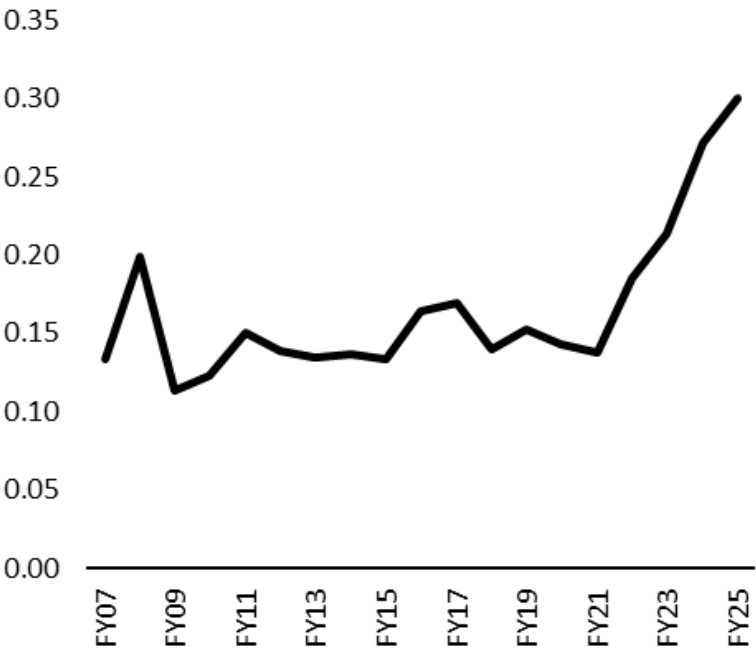
Centre's Capital expenditure - INR trn



Source: Budget documents, DBS

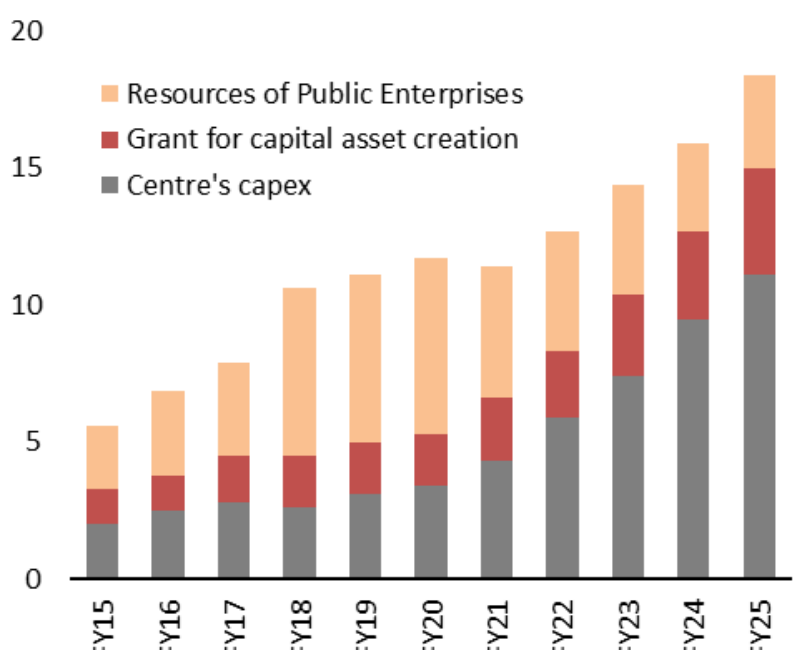
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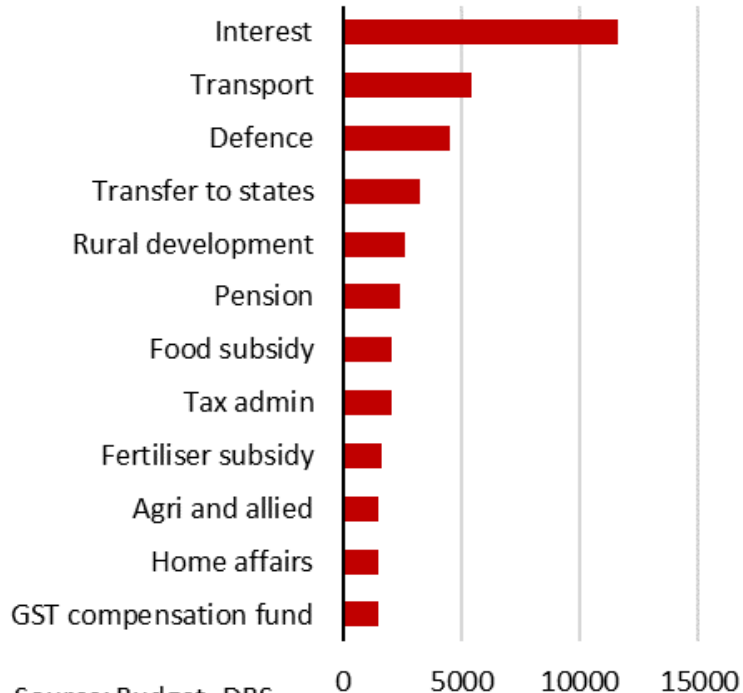
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Centre's Capital expenditure - INR trn



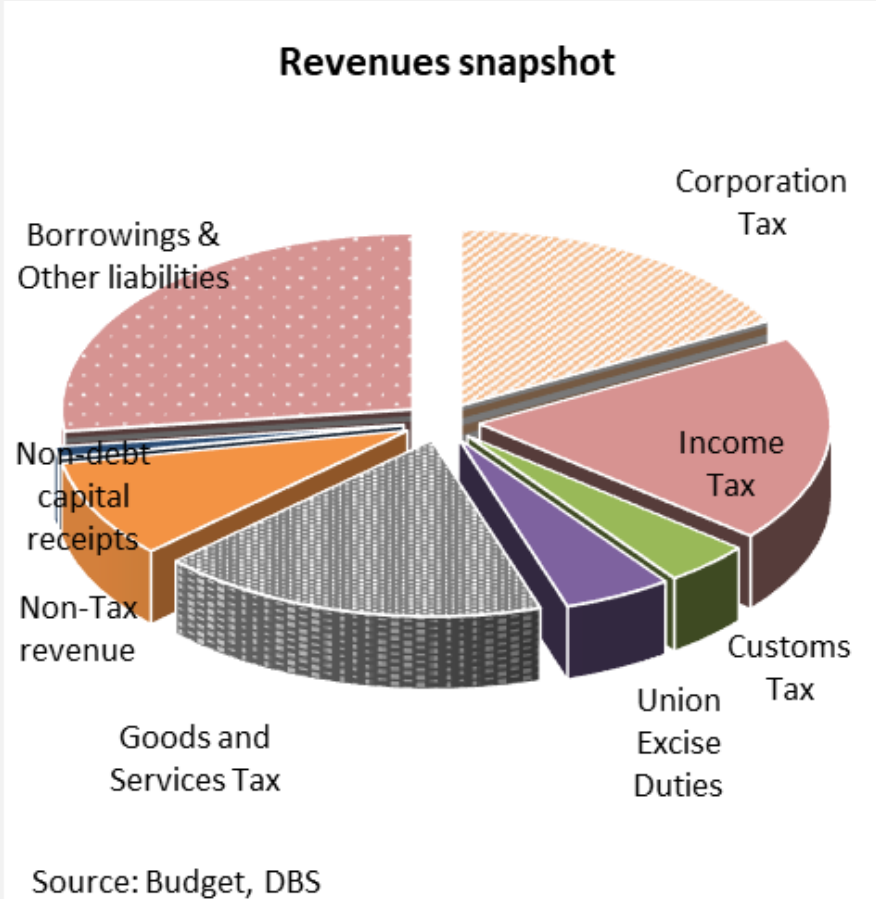
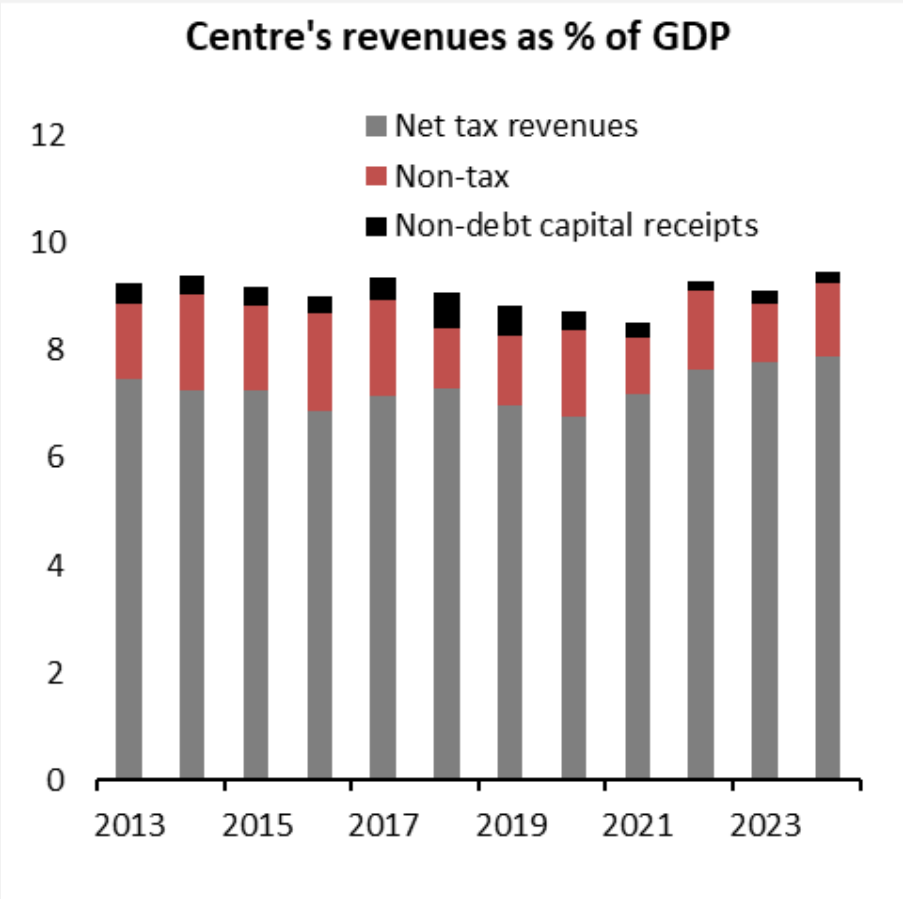
Source: Budget documents, DBS

Key spending buckets (INR bn)



Source: Budget, DBS

#2 Fiscal math – under the hood



Indirect taxes or Direct taxes

#3 Key announcements

PLI TO ELI

(Employment Linked incentives)

- Incentives to employers and employee
- Skilling
- Internship

Social sector and inclusive growth

Agriculture, rural housing, MSMEs etc.

Separately, state specific allocations

Tax changes

Custom duties

Income tax slab widened, higher standard deduction

Foreign co.s' corp tax

Financial vigilance

Capital gains tax

STT

Property market – LTCG, indexation

Medium term fiscal path

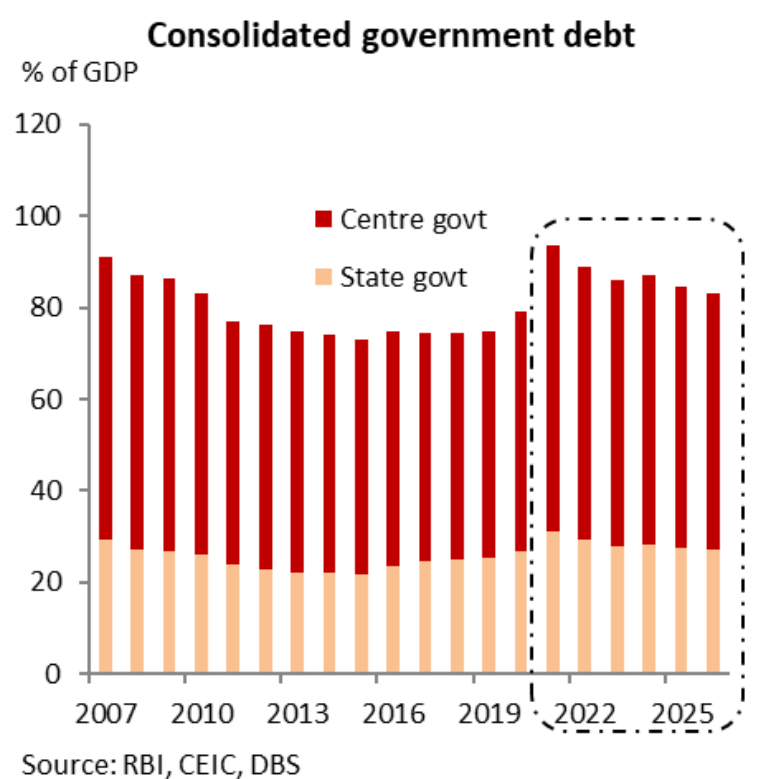
Reaffirmed FY26 goal

Path thereafter to lower deficit and debt

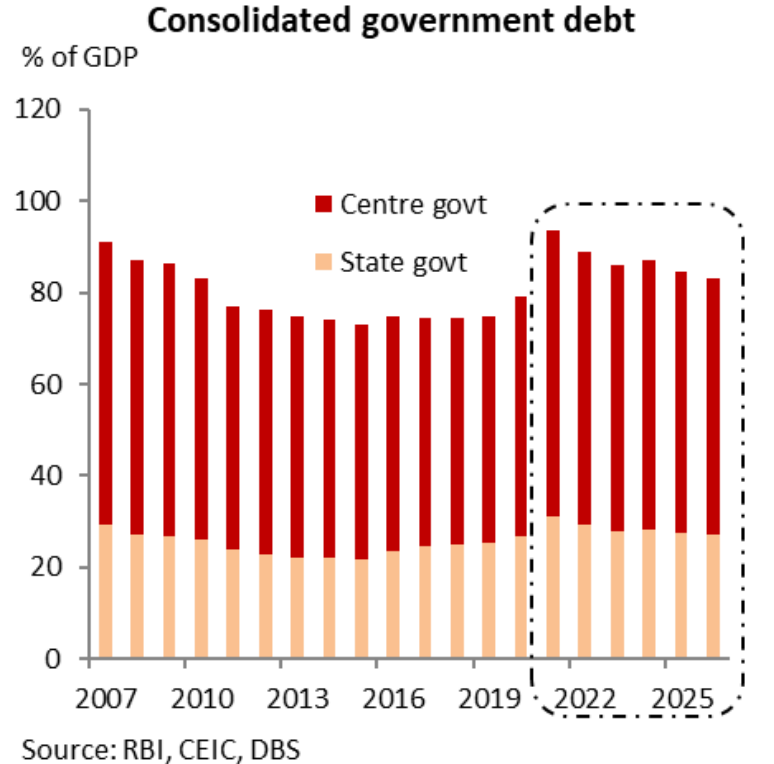
Viksit Bharat

Incremental goals to reach 2047 goals

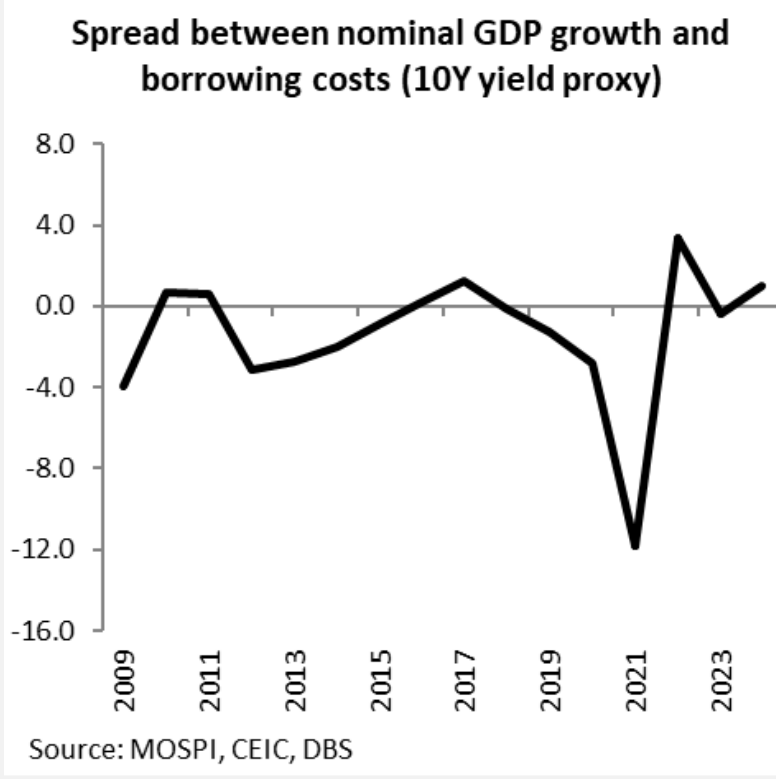
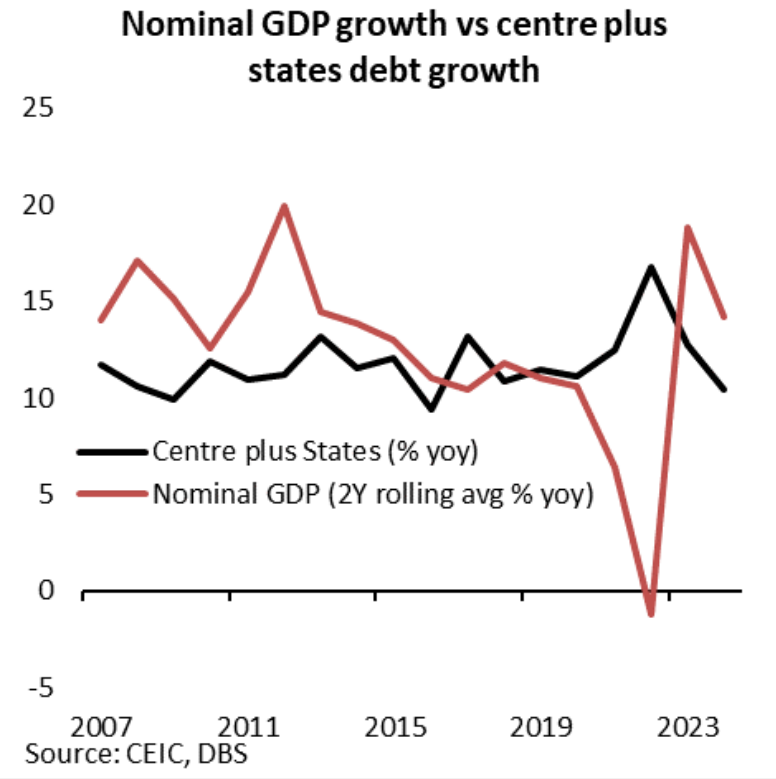
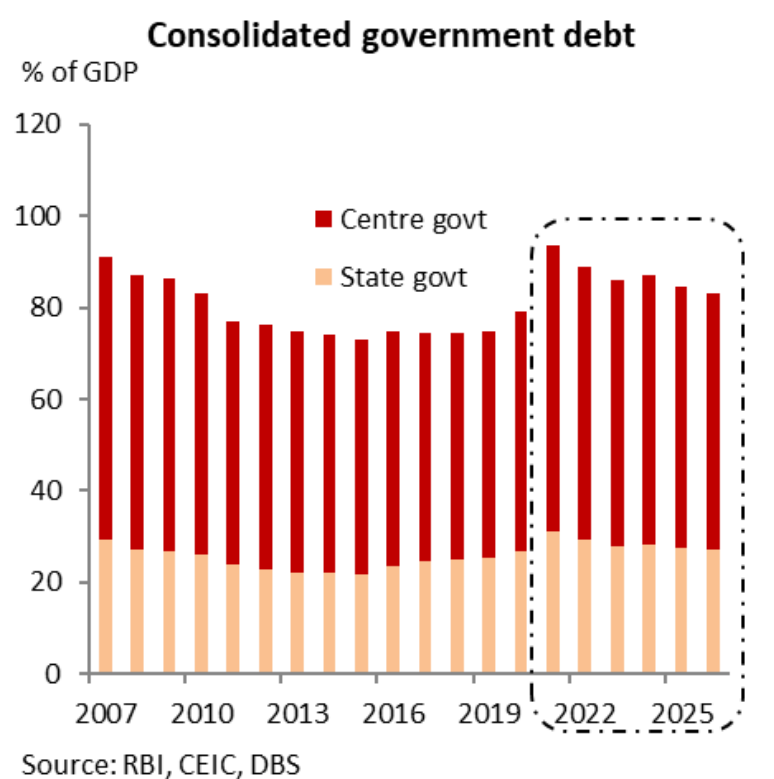
#4 Debt sustainability



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S&P raised India's outlook to 'positive' in May 2024, paving the way for an upgrade within 24 months if pre-requisites are met



Risks to monitor



Weather developments



Commodity prices



Extended period of tight financial conditions



Election cycle and outcomes



Reshoring/ Industrial policies – Western countries

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