

Fiscal Push: Budget FY23 Expected To Bring-In Higher YoY Capex

India's upcoming Federal Budget is likely to step-up spending in FY23 for maintaining the economic growth momentum.

According to economy watchers, Budget FY23 will primarily focus on enhancing public capital expenditure as monetary policy support reaches its limitations.

In the previous fiscal, total Capex outlay rose over 30 per cent on a YoY basis to Rs 5.54 lakh crore (Budget Estimate).

Besides, fiscal support is necessary at this juncture to ensure that the economy delivers a durable and sustainable GDP growth of 7-to-8 per cent in FY23-24.

"Higher spending on infrastructure and construction projects have a positive spin-off on employment and consumption demand," said Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research.

"It is estimated that Capex will grow by 30 per cent in FY22 vs FY21 and such momentum is set to continue in FY23."

As per a report by the National Institute of Public Finance and Policy (NIPFP), every rupee spent on capex leads to an economic output of Rs 2.25 in the same year and an output of Rs 4.8 over the period of the project.

"The focus on infra spend is expected to continue even in 2023 as the central govt. would pump the economy, catalyse private investments, help in employment generation," said Isha Chaudhary, Director, Crisil Research.

Recently, Centre has focused on expanding Capex for nine core infrastructure ministries, thereby, rising the spending by 20 per cent for FY22 over revised estimates of FY21.

"The capital expenditure of the government is likely to be increased as a percentage of GDP," said M. Govinda Rao, Chief Economic Adviser at Brickwork Ratings.

"Although in FY22 the budgeted capital expenditure as a ratio of GDP was 2.49 per cent, if we consider the first advance estimate of GDP, it works out to 2.38 per cent. Perhaps, the budget of FY23 will target it around 2.5 per cent."

In addition, Madhavi Arora, Lead Economist, Emkay Global said: "Capex pipeline will continue through a mix of direct fiscal and IEBR (internal and extra-budgetary resources) routes via PSEs (Public Sector Enterprises).

"Centre may also offer incentives to states to increase capex, especially as states' revenue capacity could be hit with the possible expiry of the GST compensation clause."