

Budget sets better economic prospects: Brickwork Ratings

Mumbai, Feb 11 (IANS) The Budget proposals, along with RBI's liquidity boosting measures and coupled with previously announced measures, are expected to bring the domestic economy on an improved growth path in fiscal 2020, Brickwork Ratings said on Tuesday.

"Signs of economic revival, such as improved IIP and eight core sector activities, already exist. Furthermore, the Manufacturing PMI showed substantial rebound, with the index reaching an eight-year high of 55.4 per cent in January," the ratings agency said in a report.

"With a 3.5 per cent fiscal deficit target for the next fiscal, the Finance Minister proposes to spend Rs 30.42 lakh crore in 2020-21, which is 12.7 per cent higher than the revised estimate of 2019-20."

The report points out that on the revenue front, out of the estimated Rs 22.46 lakh crore, the government expects to collect 9 per cent of its receipts through disinvestment (Rs 205,000 crore) from the sale of a large stake in LIC.

"For the current fiscal, the government revised the fiscal deficit target to 3.8 per cent, breaching the target by 0.5 percentage points from its previous budget estimates.

"In the recent MPC statement, the committee continued to assure a facilitating role to prop-up the economy, by maintaining rates and accommodative stance, despite the CPI inflation reaching 7.35 per cent in December 2019. The committee's statement that there is policy space available for future action hint at further monetary easing, if inflation falls below the 6 per cent level."

Besides, the report said that RBI is likely to maintain a pause in its next policy actions going by the inflation projection of 6.5 per cent for the fourth quarter (which is above the RBI's comfort zone).

The report expects that additional measures by the RBI like incentivising banks for further monetary transmission of rates, linking the pricing of loans by scheduled commercial banks for medium enterprises to an external benchmark amongst others are likely to improve the credit flow.

"The move also aimed at stabilising and softening yields. The transmission of past rate cuts, which otherwise remained muted thus far, is likely to materialise in the coming quarter," the report added.

"The collective efforts of the RBI and government are expected to bring better growth prospects in the medium-term for the domestic economy."