

Govt has fiscal space to provide support to cushion the impact of Omicron, says top official

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New Delhi, Jan 5 (UNI) As Omicron has started taking toll on economic activities as a result of curbs imposed by various states we now don't see GDP clocking double-digit growth in the current fiscal and relief measures would be needed to minimise the impact on lives and livelihoods of the people, a top government official told UNI.

"Further pick-up in economic activities was expected during the January-March quarter but that is not happening. We don't see double-digit growth in the current fiscal," he said.

"There is fiscal scope and hence relief packages would be warranted to protect jobs," the official said. Several states such as Maharashtra, west Bengal, Delhi and Karnataka have imposed restrictions to contain Omicron spread.

Leading economist and Vice-Chancellor at Ambedkar School of Economics University NR Bhanumurthy said that he does not see a major case for new support measures as yet but continuation of existing schemes such as Pradhan Mantri Garib Kalyan Anna Yojana (PM-GKAY) may be needed.

"I don't see major case for further new measures but do see continuation of some of the support measures. Government is aware of what the situation is and whatever required they have fiscal space for that and they will announce additional measures for any sector," he said.

India's GDP growth stood at 8.4% in the second quarter of 2021-22. While announcing the bi-monthly monetary policy last month, RBI had retained the FY22 growth at 9.5% but said that economic recovery is not yet strong enough to be self-sustaining and durable.

As part of support measures to help people and industry tide over the Corona crisis in 2020, the government had announced a mix of monetary and fiscal measures. They included government guarantee for additional loans to MSME sector, moratorium on debt repayment, front-loading of funds for infrastructure projects, policy reform and free ration to the poor and vulnerable section.

Calling them Aatma Nirbhar Bharat Package, the Centre claimed that the support measures were worth Rs 20 lakh crore or equivalent to 10% of India's GDP.

With pandemic effect on the wane, the economy has been showing strong signs of recovery. Most of the high-frequency indicators have been in positive territory and tax collections have been robust bringing the much-needed fiscal comfort for the government.

The data on government finances released by the Controller General of Accounts (CGA) last month showed that cumulative fiscal deficit up to the month of November 2021 stood at 46.2% of the budget estimate for FY22, substantially lower than 135% recorded for the same period last year.

Both direct and indirect tax collections have been on the rise.

"Robust revenue growth, even after the recent reduction in the excise duty on petroleum products, provides space for fast pacing of capital expenditures at least to cover the 51% of the budgeted in the remaining four months," said M Govinda Rao, Chief Economic Adviser at Brickwork Ratings commenting on the fiscal deficit data.