

# Fiscal maths for Budget '24

Given a slowing economy, how govt manages its finances is keeping everyone guessing

DIPAK MONDAL @ New Delhi

WITH the Union Budget around the corner, there has been a lot of curiosity over the Central government finances in 2023-24.

In the current financial year, the government has managed to sail through many challenges and is looking to excel on several fiscal parameters. But how the government manages its finances in the next financial year, given a slowing economy and global recession, is keeping everyone guessing.

This newspaper looked through several macroeconomic reports, and talked to experts to gauge the general sense on how they feel the government would present a layout of its revenue and expenditure in the Budget this year.

## Revenue collection

In the current financial year, central government's gross tax revenue collections are going to exceed the Budget targets by nearly ₹2.3 lakh crore, and experts believe tax collection would show a modest growth in the next financial year as well. ICRA estimates the government's gross tax revenues in FY2024 around Rs. 34 lakh crore, registering a year-on-year growth of 9.4% (over FY2023 projection). Goldman Sachs is more optimistic on gross tax revenue collection with a 10.5% growth estimate. In FY 23, the gross tax collection is likely to be around Rs 30 lakh crore.

ICRA's lower than double-digit growth in tax revenue is largely due to a likely reversion of excise duty on auto fuels to pre-Covid levels, as well as moderate projections on the customs duty front. Goldman Sachs expects excise duty mop up to fall to 1.0% of GDP (from estimated 1.1% of GDP in

## GOVERNMENT FINANCES IN FY24

| RUN-UP TO BUDGET                   | FY24 estimates |          |      | FY23             |
|------------------------------------|----------------|----------|------|------------------|
|                                    | Goldman Sachs  | DBS Bank | ICRA | Budget Estimates |
| Nominal GDP growth (%)             | 11             | 10       | 10   | 11               |
| Total Revenue receipts (₹lakh cr)* | 27             | 26       | -    | 22               |
| Gross tax collection (₹lakh crore) | 34.5           | 33       | 34   | 27.5             |
| Total Expenditure (₹lakh cr)       | 46.5           | 43.7     | -    | 39.5             |
| Revenue expenditure (₹lakh Cr)     | 37             | 34.5     | -    | 32               |
| Capital Expenditure (₹lakh crore)  | 8.5            | 9.2      | 9    | 7.5              |
| Gross Borrowings (₹Lakh cr)        | 16.8           | 15.5     | 14.8 | 14.31            |
| Fiscal deficit (% of GDP)          | 5.9            | 5.9      | 5.8  | 6.4              |

\* Total revenue receipt is arrived after deducting states share from the gross tax revenue and adding non-tax revenue

FY23). The revenue receipts could be constrained by lower proceeds from disinvestment as well as non-tax revenues like dividend from RBI and CPSEs.

## Expenditure

Big challenge for finance minister Nirmala Sitharaman would be to keep expenditure budget in control and strike a fair balance between capex and administrative expenses.

One of the biggest positives for the government on expenditure side would be recent discontinuation of free food programme, which was unveiled to provide food relief during the pandemic. Most analysts believe the move would see food subsidy bill not exceeding ₹2 lakh crore in FY24. In the fiscal, food bill was likely to touch ₹3 lakh crore, if not for discontinuance of free food programme. "Fiscal impact of this reorientation of subsidy programme will be net positive, resulting in a smaller outlay in FY24, resulting in savings of 0.6-0.7% of GDP," says Radhika Rao of DBS Bank.

Analysts expect fertiliser subsidy to come down in FY24. "Global commodity prices, which rose in 2022 on the back of Russia-Ukraine conflict, have normalised and the outgo on fertiliser subsidy may fall in FY24. We expect fertiliser subsidy in FY24 to return to pre-Covid average of 0.5% of GDP," says Goldman Sachs as it sees subsidy bill coming down from 2.1% of GDP in FY23 to 1.5% of GDP in FY24. Interest payments would continue to account for 22-25% of total expenditure. Experts say the quality of spending in the budget would improve with more allocation towards capex than revenue expenditures, which are expenses towards payment of interest, salaries, pensions and subsidies.

ICRA says the government may target a double-digit growth in capex to ₹8.5-9 lakh crore in FY24, as against ₹7.5 lakh crore in FY2023. In contrast, ICRA believes revenue spending to rise by a relatively muted 3% due to a lower outgo on account of food

and fertiliser subsidy.

## Fiscal Consolidation

A Goldman Sachs report estimates the central government will consolidate fiscal deficit by 50 basis points to 5.9% of GDP in 2023-24, as against 2022-23 budget estimates of 6.4%. The basis of Goldman Sachs estimate is lower expenditure on subsidies, a robust 12% growth in tax revenue and an 11% nominal GDP growth rate. "In FY24, based on our nominal GDP growth forecast of 11% YoY, we expect income and corporate tax revenue to grow 12% each... we would expect non-debt capital receipts to be at same level as in FY23 at 0.2% of GDP... Considering the above and factoring in the 60bp consolidation from reduction in subsidy spending as explained earlier, we estimate the government will consolidate fiscal deficit by 50bp to 5.9% in FY24."

Radhika Rao, senior economist at DBS Bank pegs the fiscal deficit at 5.9%, while rating agency ICRA expects the fiscal deficit to be at 5.8% in FY24.



Source: Budget documents, Research reports

EXPRESS ILLUSTRATION

# Oil facing a barrier

**CRUDE CHECK.** Watch out for ₹6,750

**Akhil Nallamuthu**

bl. research bureau

China reopening its border after three years and a moderation in the US inflation triggered a rally in crude oil prices last week. The inflation in the US cooled to 6.5 per cent in December from 7.1 per cent in the month before.

This led to crude oil posting a strong weekly gain of 9 per cent as the Brent futures on the Inter-continental exchange ended the week at \$85.6 per barrel. Similarly, the crude oil futures on the Multi Commodity Exchange (MCX) surged 5.1 per cent to close the week at ₹6,462.

The rally was despite the data from the US Energy Information Administration showing that the inventories shot up. The crude oil stocks in the US increased by a massive 19 million barrels against the expected drop of 2 million barrels for the week ended January 6.

## MCX-CRUDE OIL (₹6,462)

The January futures of crude oil soared and closed the week at ₹6,462 versus the preceding week's close of ₹6,149. While fundamentally there has been some optimism of late, the chart shows that the price is still below



GETTY IMAGES/ISTOCKPHOTO

the key ₹6,750 resistance. Only a breach of this can turn the short-term technical outlook bullish.

Should there be a rally above ₹6,750, the contract will most likely surpass ₹7,000 and touch ₹7,500. But if bears can regain traction on the back of the barrier, the downtrend will resume and the contract might see its price falling to ₹5,900 at first with potential extension of the downswing to ₹5,600.

**Trading strategy:** Last week, we recommended going short with average selling price at ₹6,275 with stop-loss at ₹6,750. Hold these shorts as the contract is below the ₹6,750 resistance. Going ahead, revise the stop-loss down to ₹6,050 when price falls below ₹5,900 and tighten it further to ₹5,900 when the contract goes below ₹5,750. Exit the shorts at ₹5,600.



## CRUDE WATCH

# OIL UP MORE THAN 1%

Oil prices gained about \$1 a barrel, supported by figures showing US consumer prices unexpectedly fell in December and by optimism over China's demand outlook. **REUTERS**



Sun, 15 January 2023

<https://epaper.india>



# Q3 petrol offtake on fire as Indians splurge on mobility

**ON THE ROAD TO PROSPERITY.** Consumption doubles in 10 years in an indication of growing affluence of masses, including consumers in rural areas

**Rishi Ranjan Kala**  
New Delhi

India's petrol consumption hit an all time high during the October-December quarter this fiscal reaching almost 9 million tonnes (mt) aided by growing affluence as consumers splurged on personal vehicles, particularly two-wheelers.

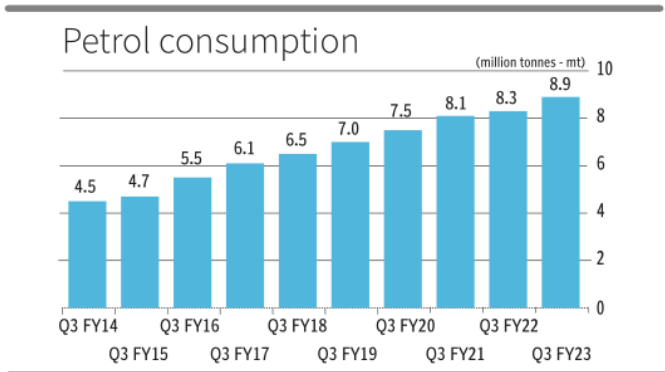
According to the data from Petroleum Planning and Analysis Cell (PPAC), petrol consumption rose more than 7 per cent y-o-y and 3.5 per cent sequentially to hit 8.9 MT in the third quarter, which is also the festival season for the world's third largest energy consumer, in FY23. It is also the highest motor spirit (MS) consumption so far for the third quarter of any financial year, pointing towards growing affluence as Indians, including consumers in rural areas.



Petrol consumption, which accounted for 16 per cent of the total petroleum products consumed till December in FY23, can primarily be attributed to growth in the personal mobility segment.

## GROWING DEMAND

Hetal Gandhi, Director (Research) at Crisil Market Intelli-



Source: PPAC

gence and Analytics, pointed out that petrol has had the second largest consumption among petroleum products, after diesel, in FY23 y-t-d (April-December).

Over the past five years, petrol demand has witnessed a steady growth of 5 per cent between fiscals 2017-22. MS demand reached historical highs in Q3 FY23, witnessing a growth of

8 per cent during the period, she noted.

"Incremental growth can be primarily attributed to improving personal transport driving growth. A key indicator for growth in mobility is witnessed by improvement in volume of tolling receipts, between October-December 2022. The volume of tolling receipts col-

lected improved by 31 per cent y-o-y indicating a healthy growth in personal mobility," Gandhi said.

Demand for petrol is largely driven by the automobile segment, primarily two-wheelers and passenger cars, which account for around 99.5 per cent of consumption.

The Indian automobile industry registered its best-ever annual performance last calendar year with passenger vehicle sales clocking about 38 lakh units (37.93 lakh units). Its previous best was in 2018 at 33 lakh units.

Similarly, pan-India retail sales of two-wheelers stood at around 1.54 crore in calendar year 2022, a growth of 13.31 per cent over 2021 and 10.50 per cent over 2020.

## GROWTH MOMENTUM

Gandhi expects that post the decline in three consecutive fisc-

als, demand for two-wheelers is expected to improve by 21-23 per cent y-o-y in FY23. Demand for passenger cars is also expected to grow by 27-29 per cent y-o-y in FY23.

"Demand for petrol and diesel saw a healthy trend in FY23 y-t-d (April-December), witnessing a growth of 15 per cent and 14 per cent y-o-y, respectively. Going forward, we expect marginal moderation in demand post festive season coupled with slowdown in economic activity. This is expected to weigh down demand," she added.

However, Crisil Research expects petrol and diesel demand to improve by 9-11 per cent and 6-8 per cent y-o-y, respectively in Q4 FY23 over a healthy base of the previous year. For FY23, the agency expects petrol and diesel demand to grow by 10 per cent and 13 per cent y-o-y, respectively, pushing overall consumption to historical highs.



INVESTMENT.  
FOCUS

Technical Call:  
Oil India - Buy

Gurumurthy K

bl. research bureau

Investors with a long-term perspective can buy the shares of Oil India (₹223.40) at current levels. The stock has seen a consistent rise in the last quarter of 2022.

This upmove has continued well in the first two weeks of the New Year too. The stock has surged over 17 per cent in the first two weeks of this month. The moving average crossover on the monthly chart strengthens the bullish case. It indicates that the

Oil India



downside could be limited. Immediate support is in the ₹205-200 region. Below that, ₹189-186 is the next strong support.

The scrip can rally to ₹260-270 over the next two-three quarters. A decisive break above ₹270 will boost the bullish momentum. Such a break will open doors for the stock to target ₹345-350 over the next couple of years.

Investors can buy now and accumulate on dips at ₹208 and ₹195, if a pull-back is seen. Keep a stop-loss at ₹155. Trail the stop-loss up to ₹245 when the stock touches ₹260. Move the stop-loss further up to ₹290 when the stock touches ₹320 on the upside. Exit at ₹340.

In case the stock fails to breach ₹270 and turns down, then there could be fall to ₹200.

So, the price action around ₹270 will need a close watch.

**भास्कर Analysis**

जून 2022 से कच्चा तेल 57 रु./ली. से घटकर 39 रु. पर आ गया, पर पेट्रोल-डीजल नहीं घटा

# ईंधन का खेल

7 माह में कच्चा तेल 32% सस्ता, पर पेट्रोल-डीजल के दाम वहीं; 18 रु./ली. कीमतें घटाने की गुंजाइश

पेट्रोल-डीजल पर सरकारें प्रति लीटर 29 रुपए, कंपनियां 6 रु. कमा रही हैं

गुरुदत्त सिन्घाणी | नई दिल्ली

पेट्रोल-डीजल की कीमतें बढ़ाने में जितनी तेजी दिखाई जाती है, कीमतें घटाने में उतनी ही सुस्ती है। जून 2022 में कच्चा तेल 9,003 रु./बैरल यानी करीब 57 रु. ली. था, जो जनवरी 23 में 6,222 रु./बैरल यानी 39 रु./ली. पर आ गया, फिर भी 7 माह में पेट्रोल-डीजल के दाम वहीं हैं। कच्चा तेल सस्ता होने से सरकारें पेट्रोल-डीजल पर प्रति लीटर 29 रु. और तेल कंपनियां 6.41 रु. से ज्यादा कमा रही हैं।

अर्थशास्त्री अरुण कुमार कहते हैं, पेट्रोल-डीजल के मौजूदा दाम 90 डॉलर/बैरल के आधार पर तय हुए थे। फिर दाम 120 डॉलर तक गए। इसलिए कंपनियों का तर्क वाजिब था कि नुकसान हो रहा है। लेकिन फिर दाम नीचे आए और कंपनियां मुनाफे में आ गईं। वे नवंबर में ही दाम घटाने की स्थिति में थीं। अब तो कच्चा तेल 75 डॉलर के आसपास है। इस आधार पर पेट्रोल 18 रु./ली. तक सस्ता कर सकते हैं। इंडिया रेटिंग के मुख्य अर्थशास्त्री देवेन्द्र पंत कहते हैं कि कच्चे तेल के दाम यूँ ही गिरते रहे तो कंपनियां जल्द कीमतें कम कर सकेंगी।

## कच्चा तेल: बैरल का भाव लीटर में समझें

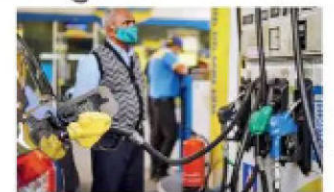


नोट - एक बैरल में करीब 159 लीटर होते हैं।

• पेट्रोब्रिक्स प्राइस एंड एनालिसिस तेल और मल्टी कम्पोजिटी एक्सचेंज (एमसीएक्स) के मुताबिक, 8 महीने में दुनियाभर के बाजार में कच्चे तेल के दाम करीब 31% तक घट चुके हैं। इसके बावजूद तेल कंपनियों ने अब तक पेट्रोल-डीजल सस्ता नहीं किया।

## कंपनियां: 82% ज्यादा मुनाफा कमाएंगी

• आईसीआईसीआई सिविलियरीटीज की ताजा रिपोर्ट में कहा गया है कि 31 दिसंबर को खत्म हुई तीसरी तिमाही में सभी 12 तेल और गैस कंपनियों को 66,100 करोड़ का मुनाफा हो सकता है, जो पिछली बार से 82% ज्यादा है।  
• दिसंबर तिमाही में सभी तेल व गैस कंपनियों की शुद्ध आय चार गुना बढ़कर 31,200 करोड़ रुपए तक पहुंच सकती है। ब्रोकर फर्म के मुताबिक, तेल मार्केटिंग कंपनियों (ओएमसी) का इस मुनाफे में सबसे ज्यादा योगदान है।  
• रिफाइनरीज कंपनियों का ग्रांस् रिफाइनिंग मार्जिन (जीआरएम) 10.5-12.4 डॉलर/बैरल है। लाभ बढ़ने की सबसे बड़ी वजह यही है।



• कंपनियों को उम्मीद है कि कच्चे तेल के दाम लंबे समय तक 73.5-74.1 डॉलर प्रति बैरल के आसपास ही रहेंगे यानी आगे भी मुनाफा दिख रहा है।  
• 2022-23 की दूसरी तिमाही के दौरान तेल कंपनियों को सस्ता तेल बेचने से नुकसान हुआ था। इसका असर सभी कंपनियों के तिमाही नतीजों में देखने को मिला था, पर अब ये लाभ में हैं।

## सरकारी कमाई का नया रिकॉर्ड बनने जा रहा है

• 30 सितंबर 22 तक पेट्रोल-डीजल पर लगे टैक्स से केंद्र को 3.57 लाख करोड़ की आय हुई। 2022-23 में कमाई 8 लाख करोड़ से ऊपर जाएगी, जो 2021-22 में 7.74 लाख करोड़ थी।  
• राज्य सरकारें पेट्रोल-डीजल पर टैक्स से 2021-22 में 2.56 लाख करोड़ के मुकाबले 2022-23 में 44 हजार करोड़

(17%) ज्यादा कमाएंगी। अब तक 1.4 लाख करोड़ कमा चुकीं।  
• पेट्रोल पर सबसे ज्यादा 29.12 रु./लीटर टैक्स आंध्र प्रदेश सरकार वसूलती है। उत्तराखंड में सबसे कम 13.14 रु./लीटर ही टैक्स लगता है। डीजल पर सर्वाधिक 20.66 रु./ली. टैक्स तेलंगाना में और सबसे कम 11 रु./लीटर असम में लगता है।