



# Mind the gap

Posted at: 31/12/2018

## **Mind the gap-Revenue trends underline the government's challenge on the fiscal consolidation front**

- Eight months into the financial year, the Centre's fiscal deficit has already overshoot the full year's budget estimate by as much as Rs.92,349 crore.
- And given last year's fiscal slippage — the deficit in the revised estimates for 2017-18 was 3.5% of GDP, wider than the 3.2% originally targeted — the augury is far from reassuring.
- While total expenditure growth, at 9.1% so far this year, has remained below the budget projection for a 10.1% increase, worryingly growth-inducing capital spending is set on an underwhelming trajectory.
- The 4% increase over the eight-month period is less than half the 9.9% growth the Centre had budgeted for the year.
- However, it is the trends in revenue that give cause for disquiet.
- If there is a silver lining on the revenue front, it is the buoyancy seen in non-tax revenue, which surged more than 31%, putting the government comfortably on track to meet the budget estimate for a 3.9% increase.
- Still, non-tax revenue is budgeted to account for just over a seventh of total revenue and it is hard to see it helping bridge anything more than the smallest of shortfalls in tax receipts.
- As the Reserve Bank never tires of cautioning, the onus is on the government to avoid further fiscal slippage as it could hurt the economy by crowding out vital private investment.
- This at a time when it has just been showing signs of a revival.

The Hindu