

## Key Highlights of the Budget



The Union Budget for FY 2022-2023 was presented by Hon. Finance Minister Smt. Nirmala Sitharaman in the Parliament today.

- ▶ The Fiscal Deficit for FY22 as per the revised estimates is pegged at 6.9% of GDP versus the budgeted target of 6.8%. The fiscal deficit for FY23 is estimated at 6.4% of GDP.
- ▶ The Finance Minister reiterated that the Government would continue on its path of fiscal consolidation to attain a fiscal deficit to GDP level below 4.5 per cent by FY 2025-26 through a fairly steady decline over this period.
- ▶ Gross tax revenues for FY23 are estimated at INR 27.56 trillion, a 9.56% growth from FY22 RE at INR 25.16 trillion.
- ▶ Corporate tax revenues for FY23 is estimated at INR 7.2 trillion, a 13.4% growth from FY22 RE at INR 6.35 trillion while income tax revenues for FY23 is estimated at INR 7.0 tn, a 13.8% growth from FY22 RE at INR 6.15 trillion.
- ▶ Net tax revenues for FY23 are estimated at INR 19.34 trillion, a 9.55% growth from FY22 RE at INR 17.65 trillion.
- ▶ Total Revenue Receipts for FY23 is estimated at INR 22.03 trillion, a 6% growth from FY22 RE at INR 20.79 trillion.
- ▶ Total expenditure for FY23 is estimated at INR 39.44 trillion, a 4.65% growth from FY22 RE at INR 37.7 trillion.
- ▶ Capital expenditure for FY23 is estimated at INR 7.5 trillion, a 24.5% growth from FY22 RE at INR 6.03 trillion with focus on infrastructure.
- ▶ Consequently, Fiscal Deficit FY23 is estimated at INR 16.61 trillion.
- ▶ The Emergency Credit Line Guarantee Scheme (ECLGS) is extended by a year, and its corpus raised by INR 500 billion to INR 5 trillion. The extra funds will be extended to the hospitality and related sectors.
- ▶ The states will be allowed a fiscal deficit of 4% of GSDP in FY23 of which 0.5% will be tied to power sector reforms.
- ▶ For 2022-23, the allocation of INR 1 trillion is made to assist the states towards capital expenditure. These fifty-year interest-free loans are over and above the normal borrowings allowed to the states.
- ▶ The FY22 Disinvestment revised estimate is pegged at INR 780 billion & FY23 disinvestment is estimated at INR 650 billion.
- ▶ The government announced an unexpectedly higher gross market borrowing in FY23 at INR 14.95 trillion with net borrowing pegged at INR 11.20 trillion.
- ▶ Government will look to issue sovereign green bonds (included in the overall Gross borrowing). Green bond proceeds to be used for public sector projects.
- ▶ RBI to issue digital rupee in FY23 using block chain technology.

## Market Impact

A higher fiscal deficit and an unexpected increase in government borrowing via market loans for FY23 may lead to the yields moving higher across the curve. The yields on 10-Year benchmark G-Sec moved up by 15-20 bps during market hours; rising to 6.87% intraday and ended at 6.83%; a day-on-day change of +15 bps. The 2-3 year part of the curve moved up by 5-10 bps while the 5-year segment hardened by 10-12 bps. Corporate bond market witnessed a slightly muted impact due to subdued volumes, with yields rising by 10-12 bps across the curve.

Source: BS, Union Budget Speech

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