



Budget supports steady growth for FY23

OUTLOOK



Government has maintained its focus on longer-term priorities for the country with increased investment in infrastructure and support to domestic manufacturing. The Budget estimates on both revenues and expenses look realistic. We believe the budget will support the continued recovery of the Indian economy post the pandemic. We remain positive on the equity markets post the recent correction and believe domestic cyclicals will continue to benefit from this budget and the economic recovery. The only worry would be any sharp increase in interest rates due to the larger government borrowing program which could slowdown the real estate cycle – an important medium-term driver for the economy in our view.

KEY HIGHLIGHTS



Focus on infrastructure development

- ▶ Double-digit growth in infrastructure spending in FY23
- ▶ GatiShakti master plan to be announced supporting development of expressways, multi-modal logistics parks, railway cargo terminals, etc.
- ▶ Ken-Betwa river linking project to be undertaken

Industrial development

- ▶ New policy on industrial development to replace the SEZ Act
- ▶ Concessional tax rate for new manufacturing companies extended till FY24
- ▶ Increasing local share in Defence capital procurement from 58% in FY22 to 68% in FY23
- ▶ Production linked incentives (PLI) in 14 sectors to aid in creating 6mn new jobs and Rs. 30 lakh crores of production in next 5 years.
- ▶ Design-led manufacturing to be launched under PLI scheme to build the 5G ecosystem

Rural and Social Sector spend largely constant

- ▶ 8mn houses to be completed in FY23 under PM Awas Yojana
- ▶ Jal Jeevan – 38mn more households to be covered in FY23
- ▶ All villages to have optical fibre by 2025 through Bharatnet
- ▶ Roll out of National Digital Health ecosystem

Clean Energy

- ▶ Reinforcement of 280 GW solar capacity by 2030 through increased allocation in module manufacturing PLI
- ▶ Battery swapping policy and inter-operability standards will be announced for EV ecosystem development
- ▶ Issuance of sovereign green bonds to mobilize resources

Risk of higher subsidies and support

- ▶ Lower fertilizer subsidy looks difficult given the high global price for fertilizers
- ▶ Also, the sluggish rural growth could lead to higher NREGA spending during the year.

Source: BS, Union Budget Speech

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