RBI says, in 2021-22, the counter-cyclical fiscal support to the economy is to be maintained through capital expenditure

The Reserve Bank of India (RBI) released its Annual Report for the year 2020-21 on May 27, 2021. While focusing on the impact of the Covid 19 crisis on the Indian economy, the report highlights the state of public finances, and emphasizes on enhancing capital expenditure and fiscal consolidation in the near future for longer term debt sustainability. Following are a few excerpts of the report:

India joined the global economy in an unprecedented contraction in 2020-21, dragged down by the COVID-19 pandemic... The agglutination of supply disruptions, the health crisis, an unparalleled mass migration and a hostile global environment took a heavy toll on the Indian economy. A cyclical slowdown had preceded the pandemic, causing real gross domestic product (GDP) growth to register a sequential deceleration since 2017-18, which slumped into contraction under the onslaught of COVID-19...

Public finances were impacted by a cyclical slowdown in revenues, which was exacerbated by COVID-19, while pandemic-induced fiscal measures pushed up expenditure... In 2020-21, when general government finances recorded large deviations from budget estimates across the globe, India was no exception... India's gross debt in 2020-21 was higher than most of the developing countries (except Brazil and Argentina) in the G-20 group, but lower than the advanced countries.

In 2021-22, the counter-cyclical fiscal support to the economy is to be maintained through capital expenditure, which is expected to increase to 2.5 per cent of GDP from an average of 1.7 per cent during 2010-20, even as revenue expenditure is set to see some contraction over 2020-21 (RE). The sizeable deviation in gross fiscal deficit in 2020-21 and 2021-22 has necessitated a quantum jump in market borrowings of the Union Government, which remain the primary source of financing the deficit, followed by access to the National Small Savings Fund...

As per the latest available information for 2020-21 - RE for centre and BE for states - the general government deficit and debt have soared to around 12.6 per cent and 90 per cent of GDP, respectively. These figures are likely to go up further once the revised estimates of all states are available. Such high levels of deficit and debt are likely to pose challenges in financing, once private investment picks up...

Going forward, as growth revives and economy gets back on track, it is important for the government to adhere to a clear exit strategy and build fiscal buffers, which can be tapped into in events of future shocks to growth.

Notifications

PIB

Second virtual trade fair by APEDA focussing on horticultural products commences https://pib.gov.in/PressReleasePage.aspx?PRID=1722181

NHAI takes steps to ensure waiting time should not be more than 10 seconds per vehicle at toll plazas

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Assets Under Management under PFRDA cross Rs 6 trillion

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