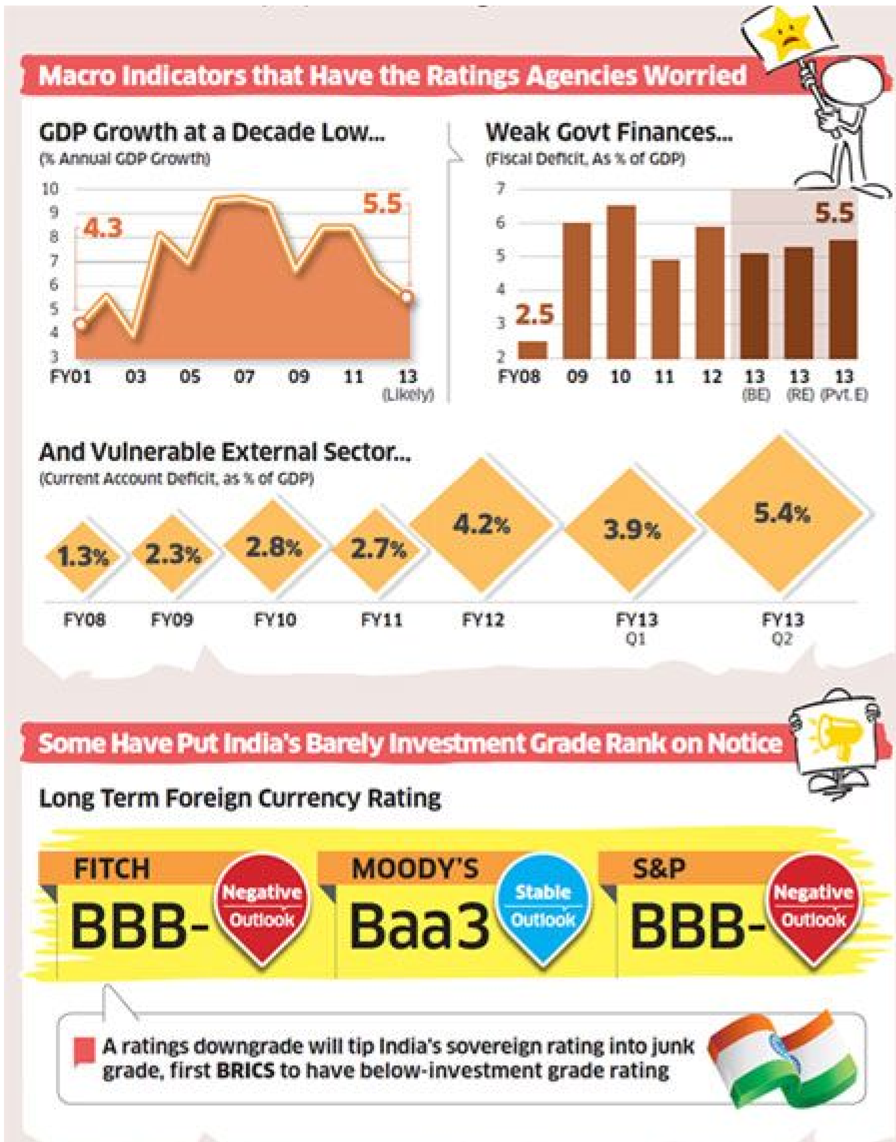
Budget 2013: Ratings agencies to keep government on toes

The threat of downgrade by ratings agencies will keep the government on its toes as it prepares the budget for 2013-14.



India cannot afford a downgrade now because:

> A below-investment grade rating will affect capital flows

> Cost of raising foreign funds will rise for Indian company

> The Indian currency could weaken

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> India's forex reserves could deplete if capital flows fall

May Affect Overall Growth - What Does it Mean for the Budget

> 4.8% fiscal deficit target announced for 2013-14 is likely to be the starting point for the budget

> A tight leash on expenditure likely

> The budget unlikely to be populist despite being the last full-fledged budget before elections

> Emphasis likely to be on cash transfers to better target subsidies

> More fiscal consolidation measures & steps to revive growth & investments

> Steps to improve supply side to check structural inflation

> Measures to make investment attractive to improve capital flows

> Introduce export sops to help check widening trade deficit

(Economic Times)