

Government to focus on FY16 budget preparation and economy revival for now

With the next state elections some way away and the Parliament session behind it, the government is expected to get down to preparing the budget for FY16 and the business of reviving the economy, which looks a lot more difficult seven months into the term of new government.

Prime Minister Narendra Modi is expected to review the performance of the finance ministry at the end of the month, setting the tone for the most anticipated budget in recent years. The only political distraction for the NDA government in the next 12 months before the crucial Bihar election is the Delhi assembly polls that should happen sometime in the next few months. The term of the Bihar assembly ends on November 29, 2015. The government couldn't manage much legislative business in the Parliament session that concluded on Thursday, with the combined opposition in the Rajya Sabha, where the NDA is in a minority, stalling proceedings.

"Mend and repair work will continue that does not require legislative action," said DK Joshi, chief economist, Crisil.

"Two things that they need to be pushing in 2015 is GST and revival of mining activity. These two are very critical. Infrastructure sector needs a huge facelift.

The government will also have to begin the process for rationalising LPG and kerosene." The government has to get the executive machinery going to revive the economy that seems to be struggling again after a brief spark at the beginning of the current financial year. The economy expanded 5.3% in the July-September quarter, lower than the 5.7% recorded in the preceding one, and the 4.2% contraction in industrial production in October does not suggest things are looking up.

The government had lined up an ambitious legislative agenda for the justconcluded Parliament session, but it did not make much headway because of its lack of strength in the Rajya Sabha. It is now likely to opt for the ordinance route to take some of that forward in the insurance and coal sectors.

It will also need to speed up disinvestment so that a large reduction in expenditure is not needed to reach the fiscal deficit target of 4.1% of GDP.

The Union budget is expected to provide a big push forward in terms of drawing up the framework for key policy reforms that the government is proposing to get the economy back on track.

The clamour from the business community for big-bang reforms has grown and the budget will be keenly watched to see whether it delivers.

DK Pant, chief economist, India Ratings, said there is a lot that the government can do without the hard measures that need legislative approval.

"The government needs to push through subsidy reforms. Power sector reforms need to be taken up. Drastic administrative reforms are needed not just at the central level but also at the state government level," he said.

(Economic Times)