

Managing the spiralling inflation

The central government needs to navigate the multiplicity of complexities associated with balancing capital expenditure (which through asset creation & infrastructure development is imperative for economic growth) and revenue spending (which must place focus on welfare schemes to address the risks of a large segment of the Indian population slipping further into poverty).

These intricacies are further accentuated with the minimal fiscal headroom, the threat of the 3rd wave of Covid looming large and the consequent potential humanitarian crisis that can further widen the disparity of income & wealth in our country. Our take is that the central government's measures to achieve a prudent balance between capital and revenue expenditure in the current juncture are strong. We need to move away from the traditional outlook that there are more pros associated with capital expenditure in comparison to revenue spending.

Finally, the ongoing set of fiscal and economic measures must be viewed from a medium to long term for an objective assessment, with emphasis on implementation through close monitoring.

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