Novel Fiscal Risk and Fiscal Strategy papers in Odisha Budget 2021-22

Fiscal strategy for three years

Over the last seven years, gross state domestic product (GSDP) growth has averaged more than 7 percent and is expected to remain above 10 percent in 2021-22 based on the fiscal strategy paper.

The framework takes into account variables such as macroeconomic, public and fiscal projections for a three-year period. It considers three economic growth scenarios – real GDP growth rate ranging from 4.3, 5.0 and 6.5 percent at the central and state level respectively.

Over the last five years, the state share in the gross state domestic product has grown exponentially from 12.97 percent in 2015-16 to 14.02 percent in 2020-21.

The ratio of interest payments to GSDP is also under control. The state has been able to reduce the debt stock from 66.2 percent of GSDP in FY 2012-13 to 23.2 percent in FY 2021-22. The debt stock is expected to reach 22.5 percent of GSDP by FY 2023-24. The debt-to-GSDP ratio is also under control.

The total outstanding public debt is also under control. The total debt stock of the state is projected to be 29.01 percent of GSDP in FY 2023-24 and turnover over the next three years. The interest payment in the current year is projected at 11 percent of GSDP or as per the existing terms.

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The COVID-19 effect on GST collection had an adverse impact on the State's gross domestic product (GSDP) in FY 2020-21. The GSDP growth rate is estimated to be 1.41 percent in FY 2020-21 and is to increase by about 2.5 percent in the current year.

Total spending is projected to increase modestly from 24.04 percent of GSDP in FY 2015-20 to 26.28 percent in FY 2021-22. The share of capital expenditure is scheduled to increase further to 6.5 percent in the current year.

Despite some negative outlook and a medium term revenue shock, the State revenue is expected to grow modestly by 5.5 percent. Lower share in Central tax revenue is anticipated.

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