



CMA Analysis of the Union Budget 2018-19

- On the macroeconomic front, post the uncertainties created by demonetisation and the efforts involved to streamline GST implementation, the recovery of economy on track towards achieving a higher GDP growth rate of 8% and reducing fiscal deficit, is welcome news for the sector.
- The populist features of the Budget manifest themselves in a slew of measures and proposals announced for boosting agriculture and the rural economy. Proposals to develop and connect all eligible habitations with an all-weather road under the *Prime Minister Gram Sadak Yojana* Phase III, new government medical colleges and hospitals, redevelopment of 600 railways stations and suburban railway infrastructure, renewal of 26000 km railway line are major steps, which will hopefully lead to demand generation and capacity utilisation down the road.
- The Budget has reiterated the criticality and significance of infrastructure development for driving the country's economic growth spanning across all sectors be it urban infrastructure, roads, railways, airports, education, health or sanitation. These could certainly be viewed as positives for stimulating cement demand and creating favourable investment sentiments for pushing up manufacturing activity in the sector.
- Although the steps already taken by the Government to boost investments in infrastructure sector, including announcement of flagship projects and schemes such as *PM Awas Yojna* did find a mention in the Finance Minister's Budget speech, they did not go beyond restating the targets already committed under various schemes earlier.
- As an important and integral component of the Country's infrastructure sector, the Indian Cement Industry rues the lack of a concentrated focus on revival of Real Estate and general housing other than Pradhan Mantri Awas Yojna.
- The Union Budget 2018-19 lacks the innovative appeal to offer to Industry other than the stated obvious of expediting infrastructure investments.

Source: CMA Analysis



Highlights of the Union Budget 2018-19

The Union Budget 2018-19 was presented by Mr Arun Jaitley, Finance Minister in the Indian Parliament February 1, 2018. The major highlights of the Union Budget 2018-19 with key sector specific announcements are summarized below:

Indian economy well on track to recovery to achieve high GDP growth rate of 8%

Macro-economic prospects appear strong with the economy recovering from the shocks of structural reforms implemented

- GDP growth at 6.3% in the second quarter signalled turnaround of the economy.
- GDP projected to grow at 7.2% -7.5% in the second half of 2017-18.
- In its latest update, IMF has forecast that India will grow at 7.4% next year.
- Manufacturing sector is back on good growth path.
- Services, mainstay of our growth, have also resumed their high growth rates of 8% plus.
- India's exports expected to grow at 15% in 2017-18.
- The Indian economy firmly on course to achieve high growth of 8% plus.

Strong focus of the Budget on boosting Agriculture and Rural economy

- Government of India's decision to keep Minimum Support Price (MSP) for all unannounced crops of kharif at least at 1.5 times of their production cost with the underlying objective to double the income of country's farmers.
- Proposal to develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs). Strengthening of physical infrastructure in GrAMs using MGNREGA and other Government Schemes.
- Task of connecting all eligible habitations with an all-weather road has been substantially completed, with the target date brought forward to March, 2019 from March 2022. Prime Minister Gram Sadak Yojana Phase III will include such linkages for connecting habitations to agricultural and rural markets (GrAMs), higher secondary schools and hospitals.

Social sector reforms underway with major policy announcements in Health and Education sectors

Education Sector

- To step up investments in research and related infrastructure in premier educational institutions, including health institutions, major initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022" proposed with a total investment of INR 1,00,000 crore in next four years.



- Steps being taken to set up a specialized Railways University at Vadodara.
- Proposal to set up two new full-fledged Schools of Planning and Architecture, to be selected on challenge mode. Additionally, 18 new SPAs would be established in the IITs and NITs as autonomous Schools, also on challenge mode.
- With the commitment to provide quality education to all children by the year 2022, every block with more than 50% ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School.

Health Sector

- Flagship National Health Protection Scheme covering over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto INR 5 lakh per family per year for secondary and tertiary care hospitalization thus making it the world's largest government funded health care programme.
- Setting up of 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals in the country. This would ensure that there is at least 1 Medical College for every 3 Parliamentary Constituencies and at least 1 Government Medical College in each State of the country.
- The National Health Policy, 2017 envisions building 1.5 lakh Health and Wellness Centres for provide comprehensive health care.

Continued focus on implementing existing schemes of Swacch Bharat Mission and Prime Minister Awas Yojana

- Under the Swacch Bharat mission, Government has already constructed more than 6 crore toilets. Government is planning to construct around 2 crore toilets.
- Under Prime Minister Awas Scheme Rural, more than one crore houses will be constructed exclusively in rural areas with 51 lakhs houses in year 2017-18 and 51 lakh houses during 2018-19. In urban areas the assistance has been sanctioned to construct 37 lakh houses.
- Dedicated Affordable Housing Fund (AHF) in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India

Major Impetus to building and strengthening physical infrastructure

The country needs massive investments in infrastructure estimated to be in excess of INR 50 lakh crore to increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways.

Urban Development

- 99 Cities selected under the Smart Cities Mission have started implementing various projects like Smart Command and Control Centre, Smart Roads, Solar Rooftops, Intelligent Transport Systems, Smart Park



- Proposal to develop ten prominent tourist sites into Iconic Tourism destinations

Roads and Highways

- 9,000 kilometres of National Highways completed during 2017-18.
- Ambitious Bharatmala Pariyojana approved for providing seamless connectivity of interior and backward areas and borders of the country to develop about 35,000 kilometres in Phase-I at an estimated cost of INR 5,35,000 crore.

Railways

- Redevelopment of 600 major railway stations is being taken up by Indian Railway Station Development Co. Ltd.
- 18,000 kilometres of doubling, third and fourth line works and 5,000 kilometres of gauge conversion would eliminate capacity constraints and transform almost entire network into Broad Gauge.
- Work on Eastern and Western dedicated Freight Corridors is in full swing.
- Major programme initiated to strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings.

Airports

- Airport Authority of India (AAI) has 124 airports.
- Proposal to expand airports' capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirman

Fiscal deficit pegged at 3.3% of GDP for the year 2018-19

- Fiscal Deficit brought down to 4.1% in 2014-15 to 3.9% in 2015-16, and to 3.5% in 2016-17.
- Revised Fiscal Deficit estimates for 2017-18 are INR 5.95 lakh crore at 3.5% of GDP. I am projecting a Fiscal Deficit of 3.3% of GDP for the year 2018-19.

Tax proposals

- Proposal to extend reduced rate of 25 percent currently available for companies with turnover of less than 50 crore (in Financial Year 2015-16), to companies reporting turnover up to INR 250 crore in Financial Year 2016-17, to benefit micro, small and medium enterprises.
- Standard Deduction of INR 40,000 in place of present exemption for transport allowance and reimbursement of miscellaneous medical expenses. 2.5 crore salaried employees and pensioners to benefit.

Source: CMA Analysis



Contact Us

Corporate Office

CMA Tower
A-2E, Sector 24
Noida 201301 (UP)
Tel: +91-120-2411955, 2411957, 2411958
Fax: +91-120-2411956
E-mail: cmand@cmaindia.org

Western Regional Office

Express Building, 1st Floor
Indian Merchants' Chamber Marg
Churchgate
Mumbai - 400 020
Tel: +91-22-22049691, 22851304
Fax: +91-22-22040582
E-mail: ns.pawar@cmaindia.org

Southern Regional Office

3rd Floor, 36th Square
Plot No.481
Road No.36, Jubilee Hills
Hyderabad - 500 034
Tel: +91-40-23553378
nyr.sampath@cmaindia.org

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