

# EAC raises alarm at off-Budget liabilities

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The Prime Minister's Economic Advisory Council (EAC) today warned of serious fiscal risks from growing off-Budget liabilities, which are estimated at 5 per cent of gross domestic product in 2008-09. This would be much more the budgeted central government deficit of 2.5 per cent of GDP for the year. In addition, the fiscal deficit of the states is expected to be 3 per cent, higher than the earlier estimate of 2.1 per cent, the council said.

In effect, the combined gross fiscal deficit of the Centre and the states (including off-Budget items) would be 10.5 per cent, EAC member M Govinda Rao said on the sidelines of the release of the council's economic outlook for 2008-09. The off-Budget liabilities on account of fertiliser and food are estimated at over 2 per cent of GDP. The oil bond burden has been pegged at a similar level. Another 1 per cent is expected due to unbudgeted liabilities on account of the farm loan waiver, the employment guarantee scheme and the pay commission award.

## EAC OUTLOOK HIGHLIGHTS

- Investment rate similar to 2007-08, but savings projected to decline on worsening government finances and erosion in corporate profits
- Capital inflows of \$71 billion, lower than the \$108 billion in 2007-08
- Current account deficit pegged at 3.2% of GDP, higher than the 1.5% in 2007-08
- Economy continues to be supply-constrained
- Robust employment growth between 1999-2000 and 2004-05

BRIEF

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