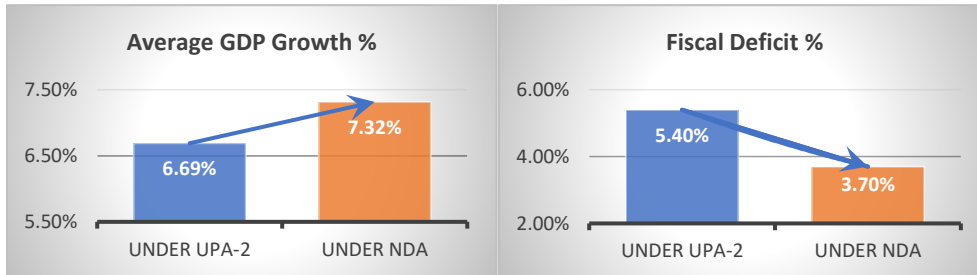


Comparative Performance of NDA & UPA-2 Fiscal Performance

Here is a summary of comparative performance of NDA & UPA-2 governments on Fiscal front:

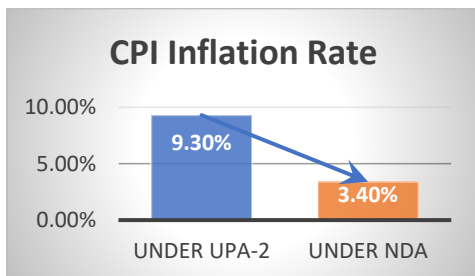
1. GDP Growth – Average GDP growth for UPA-2 was 6.69%, while NDA has achieved a growth of 7.32%. It does not look substantially higher, but, it is achieved by a much better Fiscal Deficit and Inflation.



Note: Data from [Budget Documents](#)

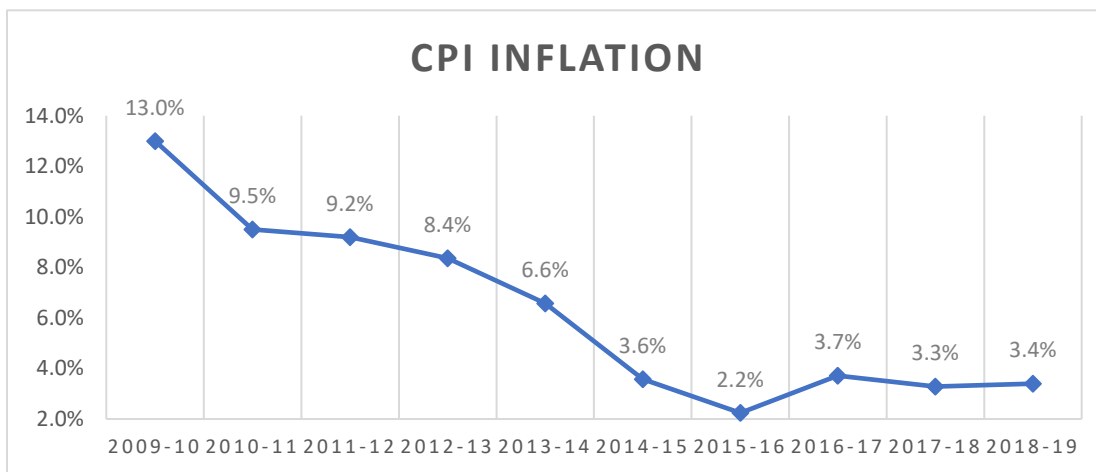
2. Fiscal Deficit - For the UPA-2, the fiscal deficit was way too high at average of 5.4% vs a much more reasonable level of NDA at 3.7%.

3. Inflation - The average inflation during UPA-2 years was 9.3%. NDA has contained the inflation to average of only 3.4%.



Note: Data from [RBI Statistics](#)

Here is the trend on CPI inflation:

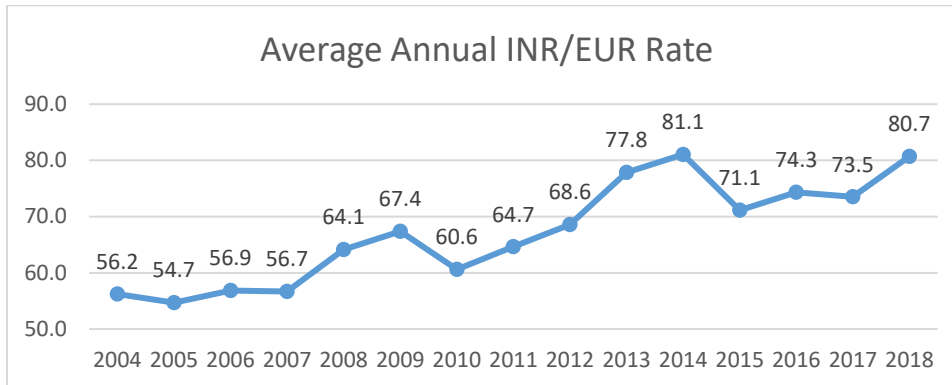


Note: Data from [RBI Statistics](#)

Comparative Performance of NDA & UPA-2

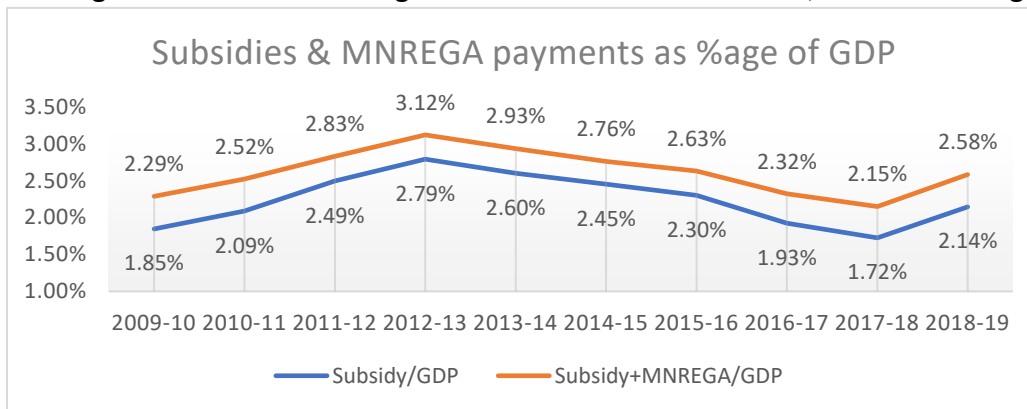
Fiscal Performance

4. Currency Rates – While Indian Rupee has lost value by about 3.1% against USD annually since NDA has taken over, it is mainly because USD has strengthened against all the currencies of the world, including all developed nations’ currencies. European Union (@13.1%) is our larger trade partner than US (@9.5%) & China (@11.4%). Therefore, it makes sense to compare Rupee to EUR and we find that INR has depreciated only by 0.7% annually against EUR.



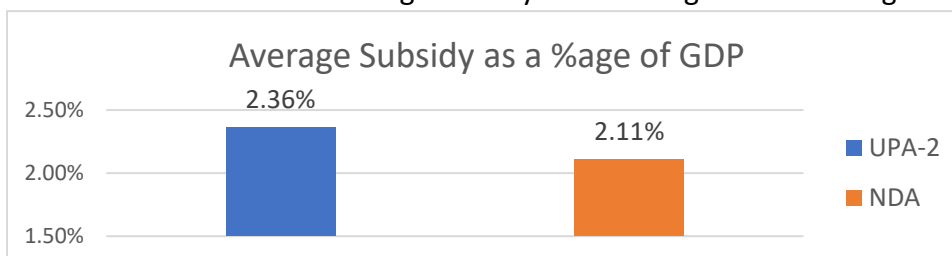
Note: Data from ofx.com

5. Subsidies – NDA government did well to bring down the subsidy bill (especially non-MNREGA payments) from 2.93% in 2013-14 to 2.15% in 2017-18. Unfortunately, there is a clear reversal in trend, as the food subsidy bill shot up in 2018-19 from 100,282 crores to 171,298 crores, as the government did increase the minimum support prices of foodgrains. This is clearly a failure of the government. It has budget a similar amount in 2019-20, which is not a good step.



Note: Data taken from Budget documents & RBI

The NDA does better on average subsidy bill as a %age of GDP though!



Comparative Performance of NDA & UPA-2

Fiscal Performance

Detailed Analysis

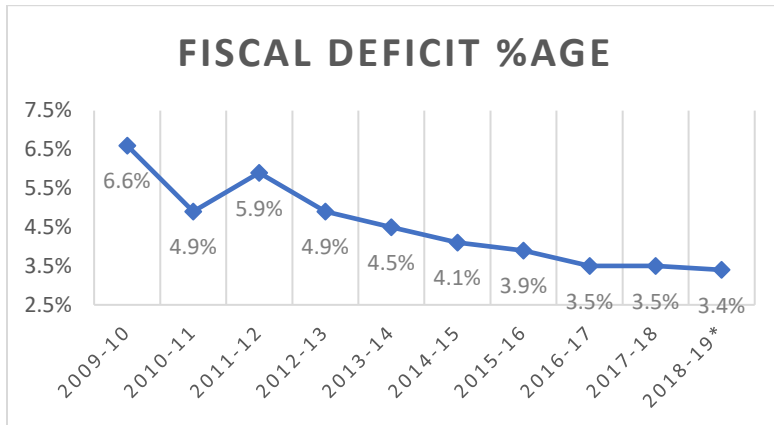
1. Average GDP growth - Average GDP growth for UPA-2 was 6.69%, while NDA has achieved a growth of 7.32% (column B). It may seem like a minor increase, but, the quality of the GDP growth under NDA is much superior to the GDP growth under UPA, for the reason that the GDP growth under NDA was done with low fiscal deficit and low inflation, details of which are explained next.

Year	GDP Growth	Fiscal Deficit	GDP in current prices Crore Rs	Extra Fiscal Deficit in %age terms	Extra Borrowing (in Rs. Crores)#	CPI Inflation	Extra Expense for average family with Rs. 5 Lacs income @
A	B	C	D	E	F	G	H
2009-10	7.86%	6.6%	7,651,078	4.2%	318,285	13.0%	48,090
2010-11	8.50%	4.9%	8,301,235	4.8%	398,459	9.5%	30,590
2011-12	5.24%	5.9%	8,736,331	1.5%	134,539	9.2%	29,047
2012-13	5.46%	4.9%	9,213,017	1.8%	162,149	8.4%	24,927
2013-14	6.39%	4.5%	9,801,370	2.7%	263,657	6.6%	15,998
2014-15	7.41%	4.1%	10,527,674			3.6%	
2015-16	8.15%	3.9%	11,386,145			2.2%	
2016-17	7.11%	3.5%	12,196,006			3.7%	
2017-18	6.68%	3.5%	13,010,843			3.3%	
2018-19*	7.23%	3.4%	13,951,849			4.1%	
Average under UPA	6.69%	5.4%			1,277,090	9.3%	148,653
Average under NDA	7.32%	3.7%				3.4%	
	# Fiscal Deficit of UPA for a year - average Fiscal Deficit of NDA (3.7%) * GDP of that year					@ CPI for the year - average CPI during NDA (3.4%) * 500000	

Note: Data taken from Budget documents & RBI

2. Fiscal Deficit – UPA-2 was able to achieve respectable GDP growth by spending too much money. Average Fiscal Deficit of UPA-2 was 5.4% by, whereas NDA’s average Fiscal Deficit was only 3.7% (column C). I have calculated the extra borrowing that UPA did during this period by calculating as follows. I took Fiscal Deficit %age for each year of UPA rule and compared it to average Fiscal Deficit of NDA, i.e. 3.7%. The difference is the extra fiscal deficit that appears in column E. This incremental deficit %age was then multiplied with the GDP of that year to arrive at the additional borrowing that was done to meet the expenses (column F). This additional deficit creates future debt for subsequent generations. If UPA had stuck to reasonable levels that NDA has stuck to, the country would have borrowed Rs. 1,277,090 crores lesser than what we have borrowed! That equates to additional borrowing Rs. 10216 per person. If you are a family of 4, the UPA government borrowed an additional ~40K for your children to pay in future (along with interest).

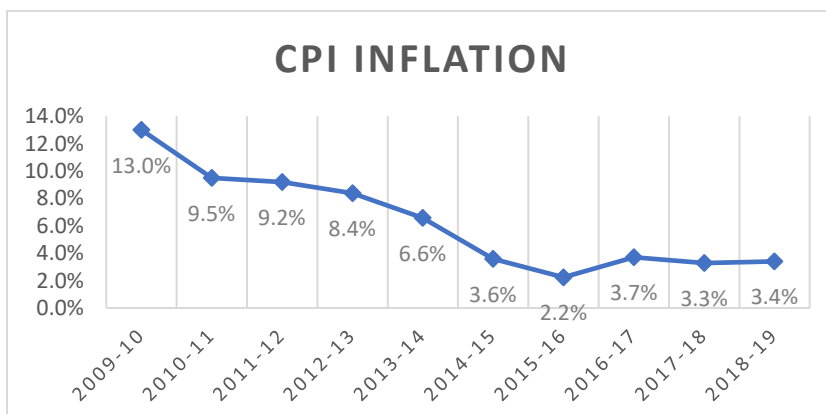
Comparative Performance of NDA & UPA-2 Fiscal Performance



There is an argument that 2009-10 was the era of worst financial recession of our lifetime and therefore, there is justification for higher fiscal deficit. That is true. But only as long as that deficit was increased to create long-term assets. The government didn't do much of that. Instead, it brought in MNREGA, which is a scheme to give dole to people for doing wasteful job. This created massive inflation, as you will see in the next paragraph.

There is an additional argument that Fiscal Deficit was rather moderate during UPA-1. It is true to some extent. The Fiscal Deficit was 3.3% and 2.5% respectively in 2006-7 & 2007-8. However, as the elections came nearer, the fiscal deficit shot up to 6.0% in 2008-9. Great Recession was to blame partly for this hike, but, upcoming elections in 2009 was the primary reason behind the hike in Fiscal Deficit. On the other hand, the NDA government has restrained itself and continued on the lowering trend on fiscal deficit in 2018-19 even in the face of upcoming election.

3. Inflation – High fiscal deficit led to massive inflation. The average inflation during UPA-2 years was 9.3%! NDA has contained the inflation to only 3.4%, a level that is usual and customary for a developing country. The difference in inflation level is not small, and hits people in their pocket. I did a small calculation and found that an average family with annual income of Rs. 5 lakhs, would have lost 148,000 rupees over the 5 years that UPA ruled because of extraordinary inflation during their rule. (see column H).



Comparative Performance of NDA & UPA-2

Fiscal Performance

4. Exchange Rate – Let’s look at the data first:

Year	USD Rate	EUR Rate
2004	45.13	56.20
2005	43.93	54.69
2006	45.24	56.85
2007	41.49	56.68
2008	43.78	64.14
2009	48.37	67.36
2010	45.66	60.58
2011	46.46	64.65
2012	53.42	68.59
2013	58.51	77.83
2014	61.01	81.06
2015	64.12	71.15
2016	67.18	74.32
2017	65.11	73.53
2018	68.41	80.69
Average Depreciation During UPA as a whole	2.7%	3.3%
Average Depreciation During UPA-2	3.0%	2.0%
Average Depreciation During NDA	3.1%	0.7%

Note: Data from ofx.com

On this parameter, I have heard repeatedly from people that Indian currency keeps falling and even PM Modi hasn’t been able to stop it. But, one must remember that exchange rate is primarily a function of inflation rates. Since Indian inflation rate is always at least 2-4% more than inflation in America or Europe, our currency will keep depreciating. As we have seen, India has reduced inflation to manageable levels of 3-5% and therefore, the currency depreciation has to reduce in the long run (assuming we keep inflation in check). But, looking at the USD-to-INR exchange rate, NDA has done a little worse than UPA. Under NDA, the average depreciation of currency has been 3.1% as compared to 2.7% versus UPA as a whole and 3% versus UPA-2. This makes you wonder why depreciation by ~3% in spite of better management of inflation.

The answer is obvious, if you compare to EUR. In this case, depreciation during NDA is just 0.7%, which is a logical number given that our inflation is still ~2% higher than Europe. (UPA numbers for EUR are 3.3% for full UPA term & 2% annually for UPA-2.)

What gives? This is happening because USD has strengthened against all world currencies due to Trump’s America First policies and massive inflows of funds to take advantage of new tax reductions. Every currency has lost against USD and we are no exception. The depreciation against EUR prove this point.

5. Subsidy Payments - Modi government has been saddled with many of the subsidy commitment done by Congress governments over many decades, including MNREGA, which is not considered to be a subsidy, but, nevertheless is a big-ticket dole, enshrined into law as a

Comparative Performance of NDA & UPA-2 Fiscal Performance

commitment of government to rural populace to provide employment by force. In spite of this limitation, the government has tried to bring down the subsidy bill and done reasonably well except till 2018-19, where the Food subsidy bill shot up from Rs. 100,282 crores to 171,298 crores, as the government did increase the minimum support prices of foodgrains, without a corresponding increase in the purchase price. This is unfortunate and will create future inflationary outlook unless arrested right after election.

On the good side, the total subsidy bill was 254,632 crores in 2013-14 and it went down to 224,429 crores in 2017-18.

Also, when we look at total 5 year period, the subsidy bill borne by UPA was 2.36% of GDP, but, NDA spent 2.11% of GDP on subsidy, including the blowout in 2018-19. If they can arrest this slide and continue the declining trend, the country's fiscal position will become better.

In Rs. Crores	Food	Fertilizer	Petroleum	Interest	Others	Total Subsidies	MNREGA	Subsidies + MNREGA	GDP in nominal rupee	Subsidy/ GDP	Avg	Subsidy+ MNREGA /GDP
2009-10	58,442	61,264	14,951	2,686	4,006	141,350	33,539	174,889	7,651,078	1.85%	2.36%	2.29%
2010-11	63,844	62,301	38,371	4,680	4,223	173,420	35,841	209,260	8,301,235	2.09%		2.52%
2011-12	72,822	70,013	68,484	5,049	1,573	217,941	29,212	247,153	8,736,329	2.49%		2.83%
2012-13	85,000	65,613	96,880	7,270	2,316	257,079	30,274	287,352	9,213,017	2.79%		3.12%
2013-14	92,000	67,339	85,378	8,137	1,778	254,632	32,994	287,626	9,801,370	2.60%		2.93%
2014-15	117,671	71,076	60,269	7,632	1,610	258,258	32,456	290,714	10,527,674	2.45%	2.11%	2.76%
2015-16	139,419	76,538	29,999	13,524	2,603	262,083	37,340	299,423	11,386,145	2.30%		2.63%
2016-17	110,173	66,313	27,539	17,888	12,896	234,809	48,215	283,024	12,196,006	1.93%		2.32%
2017-18	100,282	66,441	24,460	22,146	11,099	224,429	55,166	279,595	13,010,843	1.72%		2.15%
2018-19	171,298	70,075	24,833	22,677	10,328	299,211	61,084	360,295	13,951,849	2.14%		2.58%

MNREGA is an albatross on our neck. It is difficult to take out entitlements and the only way to get rid of this expense is to create enough real rural jobs. That's a long term process!