At ₹9.82-lakh cr, fiscal deficit for April-Dec narrows to 55% of BE

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The government's fiscal deficit for the first nine months of the current fiscal stood at ₹9.82-lakh crore or 55 per cent of the annual estimates, government data showed on Wednesday. The fiscal deficit has narrowed down from 59 per cent reported in the comparable period a year earlier.

The Budget had estimated fiscal deficit at 5.9 per cent of GDP or ₹17.87-lakh crore.

The net tax revenues for the April-December period were ₹17.30-lakh crore, or about 74.2 per cent of the annual estimate, compared with ₹15.56-lakh crore in the same period last year, according to the data.

The total expenditure during the period was ₹30.54-lakh crore, or about 68 per cent of the annual estimate, compared with ₹28.18-lakh crore in the same period last year.

CAPEX UP

In the first nine months of the financial year, the government capital expenditure or the amount spent on building physical infrastructure was ₹6.74-lakh crore, or 67.3 per cent of the annual target, higher than ₹4.90-lakh crore in the same period a year earlier. Continuing the path of fiscal consolidation, the government intends to bring the fiscal deficit below 4.5 per cent of GDP by 2025-26.

> **The FY25 Budget had estimated fiscal deficit** at 5.9% of GDP or ₹17.87-lakh crore

GROSS TAX REVENUE

Commenting on the latest numbers, Aditi Nayar, Chief Economist with ICRA, said the headroom left for revenue spending in the last three months of current fiscal is slightly lower than the expenditure recorded in last quarter of FY23. Revenue expenditure appears likely to mildly overshoot the FY24 BE, on account of major subsidies and MGNREGS. ICRA expects a lower-than-budgeted capital expenditure to partially offset the overshooting in revenue expenditure in FY2024 compared to the budgeted target. Consequently, "ICRA currently projects the Centre's total expenditure to exceed the budget estimate by a marginal ₹500 crore," she said.

The agency expects gross tax revenues to exceed BE by 60,000 crore,led by direct taxes and CGST inflows, amidst an undershooting in other indirect taxes such as excise duty. "Setting aside additional devolution to States, we estimate net tax revenues will exceed the FY24 BE by a modest ₹30,000 crore," she said.

In a note, India Ratings & Research's (Ind-Ra) Sunil Kumar Sinha (Principal Economist) and Paras Jasrai (Senior Analyst) said that the fiscal consolidation is getting support from a tight expenditure policy. In 9MFY24, revenue expenditure grew by 2.3 per cent y-o-y against the FY24 budgeted growth of 1.2 per cent. The revenue expenditure growth in 9MFY24 is the slowest since the monthly data is available (FY99), the second lowest was in 9MFY18 (2.8 per cent y-o-y). Non-interest revenue expenditure contracted 0.9 per cent y-o-y in 9MFY24, the first contraction observed since FY99. "We expect government to achieve its FY24 fiscal deficit target in value terms, however, there may be a minor slippage of 10bp due to lower nominal GDP growth," the note said.