Fiscal deficit widens to 67.8% of revised full-year target

Govt capex stays strong, 29% higher in 10 months of FY23

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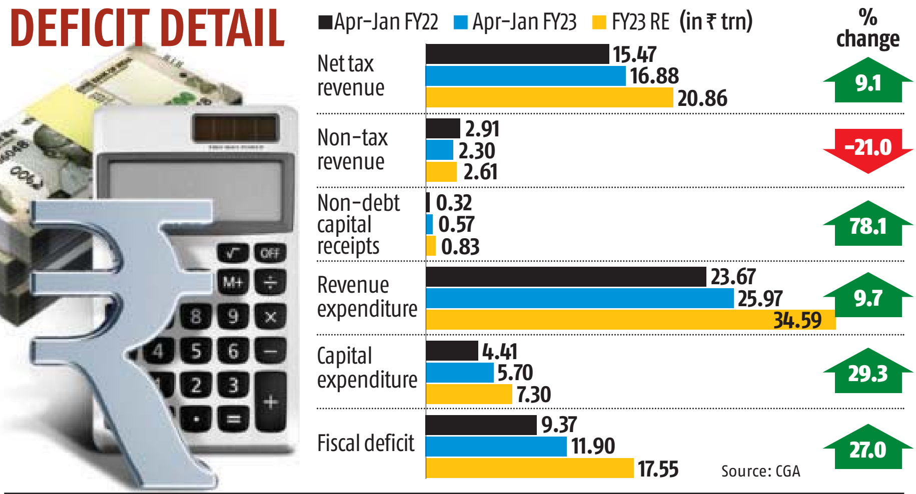
The central government in the first 10 months of FY23 used up 67.8 per cent of the full-year fiscal deficit target of ₹17.55 trillion under the Revised Estimates (RE), official data showed on Tuesday. For the year-ago period, the figure was 58.9 per cent.



From April-January, the Centre spent 78.3 per cent of the ₹7.3 trillion capex target for FY23, against 73.4 per cent a year ago. Revenue expenditure for April-January was 75.1 per cent of FY23 RE of ₹34.59 trillion, and 9.7 per cent higher than expenditure outlay (RE) for the same period last year. The Centre's healthy capex trend continued in the first 10 months of FY23 — nearly 29 per cent higher YoY.

Aditi Nayar, chief economist, ICRA, said monthly capex in January was higher than the average for the previous nine months. "Moreover, the balance capital spending needed to meet FY23 RE is only 5 per cent higher than the actual capex in February-March FY22. Nevertheless, a pick-up in states' offtake of the interest-free capex loan scheme in February-March FY23 will be crucial."

Total expenditure of ₹31.67 trillion during April-January FY23 is 75.7 per cent of RE, compared with 74.5 per cent for the same period in the preceding year. Net tax revenue for the April-January FY23 period came in at ₹16.9 trillion, 9.1 per cent higher than the amount gathered during the same period last fiscal year. Nayar said the amount to be devolved to states in February-March FY23, based on RE, is 21 per cent less than the transfer of ₹3.5 trillion in the last two months of FY22, which will boost net tax revenues.

Sunil Kumar Sinha, principal economist, India Ratings & Research, said higher expenditure and lower revenue as a proportion of FY23 (RE), compared to FY22, may put pressure on government finances. "But buoyant GST revenue is expected to provide comfort. India Ratings and Research believes it is unlikely there will be a risk to the fiscal deficit target of 6.4 per cent of GDP."