Fiscal deficit at 6.36% in FY23, a tad below target

Better showing on the back of lower than estimated revenue expenditure

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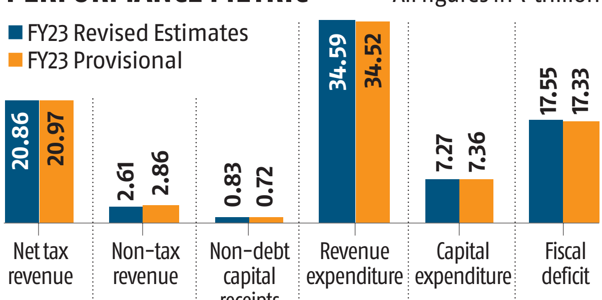
ILLUSTRATION: BINAY SINHA

PERFORMANCE METRIC

All figures in ₹ trillion



Source: Controller General of Accounts

The central government marginally undershot the fiscal deficit target in FY23 at 6.36 per cent of gross domestic product (GDP) against 6.4 per cent in the revised estimates (RE).

This is due to lower-than-estimated revenue expenditure even as the Centre's capital expenditure (capex) exceeded the revised estimates. The revenue deficit for FY23 was also contained at 3.9 per cent of GDP against the RE of 4.1 per cent.

Fiscal deficit for FY23 was at ₹17.33 trillion, or 98.7 per cent of the RE of ₹17.55 trillion, on the back of higher tax and non-tax revenue collections while non-debt capital receipts fell short of target, data released by the Controller General of Accounts (CGA) showed on Wednesday.

For FY23, net tax revenue came in marginally higher (0.5 per cent) at ₹20.97 trillion than the RE of ₹20.86 trillion. Besides, non-tax revenues for FY23 was at ₹2.86 trillion, or nearly 9.3 per cent higher than the RE.

Non-debt capital receipts, primarily disinvestment receipts, fell short of the FY23 target by 13.5 per cent.

Revenue expenditure fell for the year at ₹34.5 trillion, slightly lower than the RE of ₹34.59 trillion. There was an increase in capex, which came in at ₹7.36 trillion versus RE of ₹7.27 trillion.

Rajani Sinha, economist, CARE Ratings, said despite the higher subsidy outgo, gross tax collections and thrust on capex have been major highlights of the Centre's fiscal performance.

Also, the quality of government expenditure has improved as seen in the lower revenue-expenditure-to-capital-expenditure ratio at 4.7 in FY23 compared with 5.4 in FY22.

The CGA also released figures for April, the first month of FY24. Fiscal deficit for the month stood at ₹1.33 trillion, or 7.5 per cent of the FY24 Budget Estimates (BE). This compares to 4.5 per cent during the same period a year ago.

Earlier this month, the Reserve Bank of India (RBI) had approved transferring ₹87,416 crore to the Centre as dividend for FY23.

This compares to nearly ₹35,000 crore budgeted in the FY24 Budget, on account of profits from its foreign exchange sales and higher interest income on its holdings of domestic and foreign securities that had offset losses on its liquidity operations.

"Though the RBI dividend is a windfall for the government, it is likely to be neutralised by an equal amount of slippage on the fertiliser subsidy. As such, the risk to the FY24 fiscal deficit target of 5.9 per cent of GDP is still towards slippage," said Nomura Asia, in a note.

However, Aditi Nayar, chief economist, ICRA, said that higher-than-budgeted dividend surplus transfer from the RBI is likely to provide some cushion to meet any undershooting in other revenue streams or overshooting in expenses, as recently, the Centre approved the fertiliser subsidy of ₹1.08 trillion for the FY24 kharif season.