

Fiscal deficit at 21% of Budget Estimate in first 3 months

OUR BUREAU

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The Centre's fiscal deficit touched 21 per cent during first three months (April-June) quarter of current fiscal, the Controller General of Accounts (CGA) reported on Friday. This is bit higher than deficit of 18 per cent during the corresponding period of the last fiscal. Still, experts do not expect the fiscal deficit to breach the Budget Estimate of 6.4 per cent.

Meanwhile, the government has already indicated that it is unlikely to go for additional borrowing.

According to CGA data, the Centre received around ₹5.96-lakh crore during three months. It is around 26 per cent of the Budget Estimate. During this period, total expenditure incurred was over ₹9.47-lakh crore,



which is 24 per cent of BE. This resulted in fiscal deficit, which is difference between expenditure and income, of over ₹3.51-lakh crore.

Fiscal deficit target

The Centre has already indicated that the fiscal deficit target of ₹16.61 lakh crore, as estimated in the Budget, has not been breached. On Thursday, Revenue Secretary Tarun Bajaj said the government would stick to its projected target of Budget FY 2023, and might not need additional borrowing to support it.

Commenting on the latest deficit number, Aditi Nayar, Chief Economist with ICRA, said with a 22 per cent increase in tax revenues, halving of non-tax revenues, a 9 per cent rise in revenue expenditure, and a sharp 57 per cent expansion in capital spending, the Centre's fiscal deficit widened Q1 FY2022.

"We expect a large part of the higher-than-budgeted subsidies and loss related to the excise duty cut to be absorbed by higher-than-estimated non-excise taxes, limiting the extent of the overshoot in the GoI's fiscal deficit in FY2023 relative to the BE at ₹0.3-0.8 lakh crore. Unless the free foodgrain scheme is extended beyond September 2022, we do not expect the fiscal deficit to exceed 6.4 per cent of GDP based on a nominal GDP

growth assumption of 15 per cent," she said. Sunil Kumar Sinha, Principal Economist with India Ratings and Research, said the capital expenditure grew by a robust 57.3 per cent yoy in 1QFY23. The sustained double-digit growth in capex will help the economy at a time when the private investment is in wait and watch mode due to the monetary tightening across the globe and the uncertainty created by the Russia-Ukraine conflict.

In fact, the impact of government capex is reflected in the double-digit yoy growth of various infrastructure sectors like steel and cement in 1QFY23.

For a strong and durable economic recovery, it is imperative that the government sustains its capex in the remaining months of FY23.