

Fiscal deficit at modest 8.1% of annual target

Dip in capex, buoyancy in revenues in Q1FY25

FE BUREAU
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THE CENTRE'S FISCAL deficit shrunk to 8.1% of the annual target in the first quarter of the current financial year compared with 25.3% in the year-ago period, due to a sharp compression in capital expenditure and buoyant revenue receipts.

Due to a slowdown in government programmes on account of general elections, the Centre's capex halved by two-thirds to ₹37,426 crore in Q1FY25.

While revenue expenditure fell a third on-year to ₹2.33 trillion during the month. In April-June of FY25, the Centre's capex declined by 35% annually to ₹1.81 trillion.

During Q1FY25, revenue expenditure rose by a modest 2% on year to ₹7.89 trillion.

The Centre's net tax revenues rose by a robust 26.8% on the year, while non-tax revenues surged by 80.7% aided by the large dividend from the Reserve Bank of India.

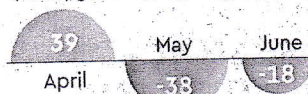
The Centre's total expenditure in June declined by 18% on year to ₹3.46 trillion compared with ₹4.25 trillion in the year ago month.

The dividend of ₹2.11 trillion from the RBI, against the Budget estimate of ₹80,000-90,000 crore, has given an extra fiscal space of 0.4% of GDP to the Centre to calibrate fiscal deficit reduction and provide for additional spending.

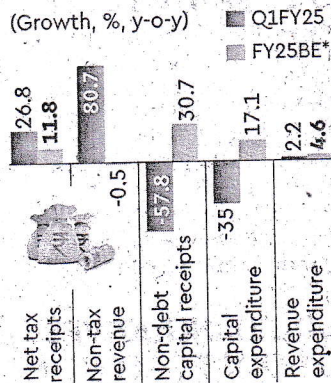
"With the elections now over,

Q1 METRICS

Centre's expenditure
(FY25, growth, %, y-o-y)



(Growth, %, y-o-y)



*Over actuals of FY24

the government's capital expenditure is expected to pick up. We expect the government to meet its revised fiscal deficit target of 4.9% of GDP in FY25, led by prudent expenditure management and supported by robust tax collections," said Bank of Baroda chief economist Madan Sabnavis.

The Centre further pared the fiscal deficit target to 4.9% of GDP for FY25 in the full budget presented on July 23 from 5.1% projected in the interim Budget on February 1 as it used extra dividends from the RBI to trim borrowings as well as provide additional funds for development and welfare schemes.