Centre's spending slips to 27% of BE due to drop in capex in August

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A contraction in capital expenditure in August caused the Centre's overall spending to reach just 27 per cent of the Budget Estimate for April-August this fiscal year, compared to 37 per cent in the same period last year, according to data from the Controller General of Accounts (CGA) released on Monday.

FISCAL DEFICIT

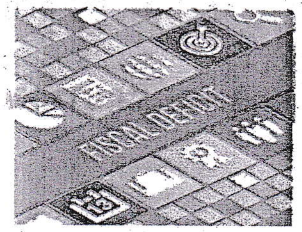
In the Budget, the government projected to bring down the fiscal deficit to 4.9 per cent of the gross domestic product (GDP) in FY25.

The deficit was 5.6 per cent of GDP in 2023-24. In absolute terms, the government aims to contain the fiscal deficit at over ₹16.13 lakh crore.

The Centre's total expenditure in the four months till August stood at ₹16.5 lakh crore of BE. The expenditure was 37.1 per cent of the BE in the year-ago period.

Of the total expenditure, over ₹13.51 lakh crore was in the revenue account and over ₹3 lakh crore in the capital account.

One of the key reasons for



lower expenditure during the first five months was the model code of conduct during the Lok Sabha elections. Experts say meeting the overall capital expenditure target over ₹11.11 lakh crore will be challenging.

MISSING CAPEX TARGET?

According to Aditi Nayar, Chief Economist of ICRA, given the trends in capex during April-August 2024, the government needs to incur a capex of ₹1.2 lakh crore per month in the last seven months of the fiscal, which portends an ambitious expansion of 41 per cent relative to the same period of FY2023.

"We believe that sustaining such a high average monthly run rate seems improbable and expect the capex target of ₹11.1 lakh crore for FY25 to be missed by a small margin," she said.

Paras Jasrai, Senior Analyst with India Ratings & Research (Ind Ra), said improved tax collection reflects

A key reason for lower spending in the first five months was the model code of conduct during the Lok Sabha polls

on devolution to the States, which was at a four-year high at 36.5 per cent of FY25 (BE) for April-August 2024.

COMMODITY PRICES

Led by food subsidy, the government has already spent 46.9 per cent of its subsidy bill in the first five months of FY25, highest in the last five years.

"Although the subsidy bill is high, the softer commodity prices will keep a lid on fertilizer subsidy bill in FY25. India Ratings and Research expects the government to achieve its FY25 fiscal deficit target of 4.9 per cent of GDP," said Jasrai.

Nayar felt that missing the capex target can provide some cushion to absorb the shortfall on account of disinvestments and taxes.

"ICRA expects fiscal deficit to print in line or trail the FY25 estimate of of ₹16.1 lakh crore or 4.9 per cent of GDP at the current juncture," she said.

Expenditure by key ministries

(April-August/in ₹ crore)

	2023-24			2024-25		
Ministries	BE	Actual	% of BE	BE	Actual	% of BE
Railway	2,55,393	1,14,579	45	2,41,268	1,29,992	54
Road	2,78,000	1,07,277	39	2,70,435	1,16,165	43
Defence	6,21,941	2,37,136	38	5,93,538	2,42,830	41
Chemical & Fertiliser	1,68,500	60,831	36	1,78,482	97,202	54
Food & Consumer Affairs	2,23,323	1,17,724	53	2,05,765	95,931	47
Communication	1,37,294	31,940	23	1,23,393	55,736	45
Education	1,20,628	32,801	27	1,12,899	29,564	26
Health & Family Welfares	90,959	37,812	42	89,155	29,938	34
Home	2,19,643	97,426	44	1,96,035	84,208	43
Rural Development	1,80,233	65,543	36	1,59,964	65,327	41

Source: CGA