Fiscal deficit hits 39% of BE in H1; Railways, Roads, Fertilizer Ministries lead spending

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Railways, Fertilizer, and Roads Ministries led the spending charge during the first six months of the current fiscal, data released by the Controller-General of Accounts (CGA) on Tuesday showed. However, ministries, including Petroleum & Natural Gas and Co-operation, were laggards, and need to accelerate spending in the next six months to meet the Budget target.

CGA data showed that the fiscal deficit, the difference between expenditure and income, during the April–September period reached over 39 per cent of the Budget Estimate, higher than 37 per cent for the corresponding previous period.

Six months of income and expenditure data is important as, conventionally, these are used to finalise the Revised Estimate for the current fiscal year. Based on the trend, it is expected that there could be a reduction in the allocation for ministries and departments where expenditures have been low. The entire exercise is called re-prioritisation in government parlance.

According to CGA data, net tax revenues in April-September were ₹11-lakh crore, or 49.8 per cent of the annual estimate, higher than ₹10.12-lakh crore in the same period last year. Corporate tax collections rose 20 per cent year-on-year to ₹4.51-lakh crore. Total expenditure during the period was ₹21.19-lakh crore, or 47.1 per cent of the annual goal, higher than ₹18.24-lakh crore in the same period last year.

Expenditure during April-September

(in ₹ lakh crore)

Better performance			Needs improvement		
Ministries/Dept	Actual expn	% of BE	Ministries/Dept	Actual expn	% of BE
Coal	0.0026	134	Petroleum & Natural Gas	0.0191	5
Railways	1.69	70	Co-operation	0.0009	8
Chemical & Fertiliser	1.10	62	DONER	0.0063	11
Road	1.64	61	Fisheries, Animal Husbandry, Dairying	0.0094	14
Defence	3.06	52	MSME	0.0318	14
Home Affairs	1.00	51	MeitY	0.0433	26
Rural Development	0.76	48	Education	0.36	33

Source: CGA, Finance Ministry

SURPLUS CUSHION

Commenting on the latest data, Aditi Nayar, Chief Economist with ICRA, said the higher-than-budgeted dividend surplus transfer of ₹87,420 crore from the RBI is likely to provide some cushion to meet any under-shooting in other revenue streams, including disinvestment, or potential overshooting in expenses relative to the respective BE, such as MGNREGA and LPG subsidy.

CAPEX ON A HIGH

Revenue expenditure declined by 4 per cent to ₹3.3-lakh crore in September, whereas capex expanded by 29 per cent to ₹1.2-lakh crore, the highest in any month in H1 FY2024. "With this, 49 per cent of the FY2024 BE capex target had been achieved, which is favourable in light of the potential slowdown closer to the parliamentary elections," she said.

Rajni Sinha, Chief Economist with CARE, said that the ratio of capital expenditure to revenue expenditure increased to 0.30 in H1 FY24, higher than 0.23 a year ago. On the expenditure front, the subsidy spending remains elevated, led by a higher outlay on fertiliser and petroleum subsidies.

"While we remain hopeful of the government meeting its fiscal deficit target of 5.9 per cent of GDP, we need to be watchful of the trajectory of revenue spending ahead of the election season, along with the possibility of lower-than-expected nominal GDP growth," she said.

Core sector growth slips to 4-month low of 8.1 per cent in September

The output of eight core industries eased to 4-month low of 8.1 per cent in September down from August's 14-month high of 12.1 per cent. The government has now revised upwards the August print to 12.5 per cent. The latest, September, reading is also lower than the 8.3 per cent growth recorded in the same month last year.

Except for crude oil, which contracted 0.4 per cent, all the other seven industries recorded positive growth in September. Coal output continued to rise, growing 16.1 per cent in September, higher than the 12.1 per cent growth seen in the same month of 2022. It was slightly lower than the robust 17.9 per cent growth seen in August this year.

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