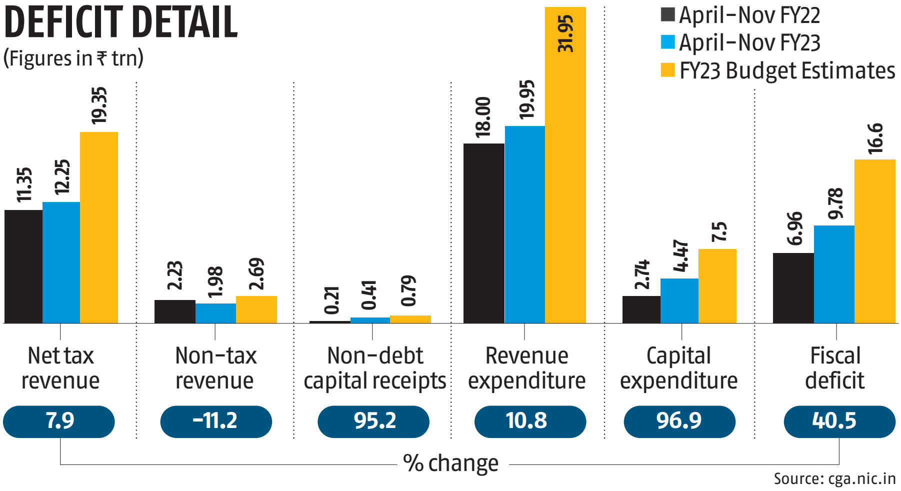
Centre's fiscal deficit at 58.9% of FY23 target



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The Centre's fiscal deficit for the April-November period of the current fiscal year came in at ₹9.78 trillion, or 58.9 per cent of the Budget Estimate (BE) of ₹16.6 trillion, compared with ₹6.96 trillion or 46.2 per cent for the same period last year.

The fiscal deficit widened as a percentage of full-year target year-on-year due to lower tax and non-tax revenue and much higher capital expenditure outlay. In fact, in November, the fiscal deficit widened by ₹2.2 trillion, the highest ever in any month this financial year.

"In April-November FY23, the fiscal deficit widened considerably, with net tax revenues reporting moderate growth of 8 per cent, amidst an 11 per cent contraction in non-tax revenues, 11 per cent rise in revenue expenditure, and high 63 per cent expansion in capex," said Aditi Nayar, chief economist with ICRA.

Net tax revenue for the April-November period was ₹12.25 trillion or 63.3 per cent of the full-year target, compared with 73.5 per cent for the same period last year. Non-tax revenue came in at 73.5 per cent compared with 91.8 per cent for the same period last year, while non-debt capital receipts (primarily divestment proceeds) stood at 52.3 per cent compared with 11 per cent, primarily on the back of proceeds from LIC's IPO earlier in the year.

Corporate tax, income tax, and GST collections till November 2022 have been better than the budgeted growth and are providing support to tax revenue growth. "We have been stating that the revenue estimates of FY23 Budget are conservative and an underestimate due to unrealistic and lower nominal GDP growth assumption in FY23 budget. Our contention is now getting reflected in the higher tax revenue realisation," said Devendra Pant, chief economist at India Ratings.

The pace of capital expenditure remained strong, at 4.47 trillion for April-November, or 59.6 per cent of the FY23 target compared with 49.4 per cent for the year-ago period. Revenue expenditure was ₹19.96 trillion, or 62.5 per cent of the FY23 BE compared with 61.5 per cent. "Total expenditure rose by a substantial 21 per cent in November, led by a 15 per cent increase in revenue expenditure and a sharp 87 per cent expansion in capital expenditure," Nayar said, adding that the budgeted capex target of ₹7.5 trillion for the year will be met.

Nayar said based on the additional cash outgo announced in the recent supplementary demand for grants and the expectations on generation of savings of around ₹1 trillion as seen in the recent past, the Centre's expenditure for FY23 could exceed BE by ₹2.3 trillion.

"We expect total receipts in FY23 to exceed the BE by an aggregate of ₹1.5 trillion. Based on this, we estimate the extent of overshoot in the fiscal deficit at around ₹0.8 trillion for FY23. As a proportion of GDP, the fiscal deficit in FY23 is unlikely to exceed the FY23 BE of 6.4 per cent, on a higher nominal GDP," she said.