Apr–Nov fiscal deficit contained at 50.7% of FY24 Budget Estimates

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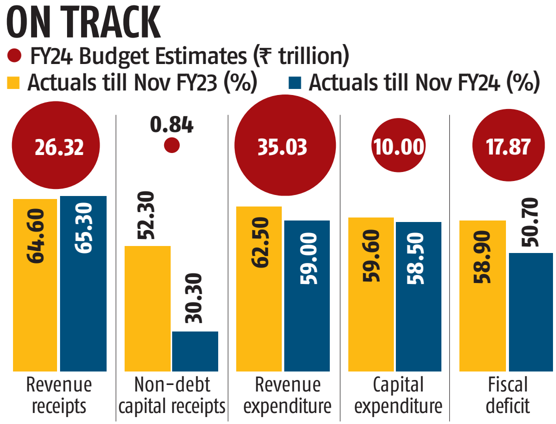
Ahead of the Interim Budget, the Centre's fiscal deficit for the first eight months of the current financial year accounted for 50.7 per cent of the full-year target of ₹17.87 trillion, much lower than 58.9 per cent during the year-ago period.

In absolute terms, the fiscal deficit shrank to ₹9.1 trillion of the FY2024 Budget Estimate (BE) in April-November FY2024, from ₹9.8 trillion in April-November FY23, the data released by the Controller General of Accounts (CGA) on December 30 showed.

The government, CGA data indicates, is moving towards fiscal consolidation, with improved tax collections compared to the April-October period and compressed capital expenditure.

"The fiscal deficit in November was half the year-ago level, led by lower tax devolution, a contraction in revenue expenditure and marginal growth in capital expenditure in that month. Overall, ICRA does not expect the fiscal deficit target of ₹17.9 trillion for FY24 to be breached. However, a lower nominal gross domestic product (GDP) than what the Union Budget had penciled in could result in the fiscal deficit printing at 6.0 per cent of GDP," said Aditi Nayar, chief economist and head of research and outreach, ICRA.



Source: Controller General of Accounts

The capital expenditure growth has slowed down in the past two months and has grown by 31 per cent in the first eight months of FY24 as against the budgeted growth of 37.4 per cent. The CGA data showed that the government had incurred 58.5 per cent of the budgeted capital expenditure by the April-November FY24 period against 59.6 per cent during the April-November FY23 period.

The tax revenue was 61.6 per cent of the Budget Estimates for April-November, compared to 63.3 per cent in the year-ago period. After a slight decline in major tax collections in October and November recorded a 21 per cent increase in gross tax revenue, in comparison with the previous year. This was mainly due to an increase in corporation, income, and central goods, and services tax.

The CGA figures are generally used to gauge government finances.

"India Ratings estimates suggest that the revenue receipts of the union government in FY24 is likely to be ₹1.9 trillion higher than FY24 (BE)... The government is likely to achieve its FY24 fiscal deficit target in level terms, however, slower nominal GDP growth may push the fiscal deficit in ratio terms to 6.0 per cent of GDP," said D K Pant, chief economist at India Ratings.

A recent report by India Ratings and Research, however, said higher than budgeted revenue expenditure triggered through the first and likely second supplementary demand for grants, along with lower than budgeted nominal GDP, will push the fiscal deficit to 6 per cent of GDP. This would be 10 basis points higher than the government's fiscal deficit target of 5.9 per cent.