UPBEAT MOOD

Centre outperforms on fiscal deficit, brings it down to 4.77% of GDP in FY25

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The government has marginally improved its fiscal deficit for 2024-25 (FY25), bringing it down to 4.77 per cent over the revised estimate (RE) of 4.84 per cent, according to the data released by the Controller General of Accounts (CGA) on Friday.

With the provisional estimate of gross domestic product (GDP) FY25 of ₹330.68 trillion, showing an improvement over the RE of ₹324.11 trillion, the fiscal deficit calculated as percentage of GDP has come down.

"The government's fiscal deficit marginally exceeded the RE for FY25 by ₹77 billion, albeit led by a welcome overshooting in capital expenditure amid a less palatable miss on receipts being largely offset by considerable savings of ₹90,000 crore in revenue expenditure," said Aditi Nayar, chief economist, Icra.

Capital expenditure for FY25, at ₹10.5 trillion, stood at 103.3 per cent of the RE for the year, the CGA data showed.

It was higher than the 99.9 per cent of the RE in FY24.

In line with its commitment to narrow the fiscal deficit to 4.5 per cent by FY26, the government had set the fiscal deficit target for this financial year at 4.4 per cent.

Experts say the upward revision in the FY25 nominal GDP number augurs well for meeting the deficit and debt for FY26.

The bumper dividend of ₹2.69 trillion announced by the Reserve Bank of India (RBI) is expected to ease the fiscal situation and help bring down the fiscal deficit in FY26 even further.

The Union Budget for 2025-26 has projected a dividend income of ₹2.56 trillion from the RBI and public-sector financial institutions.

"India's medium-term growth prospects appear to be robust with sound fiscal management. Emphasis on government capital expenditure appears to be leading the growth story from the policy side, with healthy supporting growth in private final consumption expenditure," said D K Srivastava, chief policy advisor, EY India.

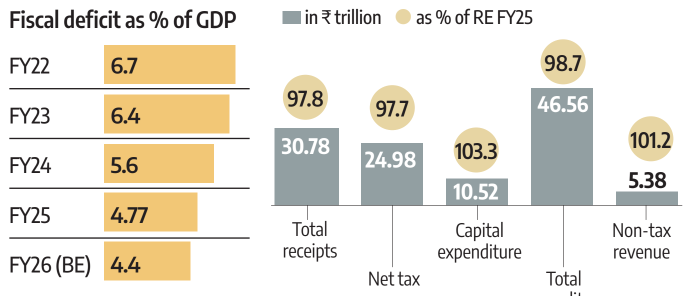
Net tax revenue, according to the CGA data, fell short of the RE at ₹24.99 trillion -- at 97.7 per cent.

Non-tax receipts, however, overshot the RE at 101.2 per cent at ₹5.38 trillion.

Union Finance Minister Nirmala Sitharaman in her FY26 Budget announced a new glide path with the debt-to-GDP ratio as the fiscal anchor, moving away from the current practice of targeting fiscal deficit.

The government now targets bringing down the debt-to-GDP ratio to 50 per cent by FY31 with a one percentage point deviation on either side.

Fiscal maths



BE: Budget estimates; Source: CGA