

FinMin likely to peg fiscal deficit below 4.5% for FY26

BUDGET WATCH. It emphasises fiscal flexibility ahead of Budget, cautions about growth risks

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Ahead of the presentation of the Budget, the Finance Ministry has emphasised adopting a "fair degree of flexibility in conducting its fiscal policy", keeping in mind the gloomy global situation. It has indicated that fiscal deficit for fiscal year 2025-26 (FY26) could be lower than 4.5 per cent.

The Budget for FY26 is likely to be presented on February 1. Fiscal deficit for FY25 is pegged at 4.9 per cent.

The Ministry reaffirmed its commitment to the fiscal consolidation glide path outlined in the FY 2021-22 Budget, aiming to achieve a fiscal deficit below 4.5 per cent of GDP by FY 2025-26.

PUBLIC SPENDING

The thrust will be on enhancing the quality of public spending while bolstering the social security net.

"This approach would help further strengthen the nation's macro-economic fundamentals and ensure overall financial stability,"

FISCAL HEALTH CHECK (APRIL-SEPT)

- Tax revenue (net to Centre) reached ₹12.65 lakh crore, 49% of the BE. It is higher than the past five years' moving average of 45.3% of the BE
- Non-tax revenue at 65.5% of BE 2024-25 is higher than last five years' moving average of about 58.7% of BE
- Revenue receipts, defined as the sum of tax revenue (net to Centre) and NTR, at about ₹16.22 lakh crore, 51.8% of the BE. It is higher than the five years' moving average of 47.1% of the BE
- Total expenditure was ₹21.11 lakh crore (or 43.8% of the BE)
- Fiscal deficit is projected at about ₹4.75 lakh crore or about 29.4% of BE 2024-25

the Ministry said. It cautioned about various risks to growth, including global geopolitical conflicts. "Since the presentation of the Union Budget for FY 2024-25 (regular) in July 2024, global headwinds and associated risks are yet to abate. The global situation has become even gloomier due to further escalation of conflict among a set of countries," the Ministry said in a statement on the Half Yearly Review of the Trends in Receipts and Expenditure in relation to the Budget at the end of the first half (April-September) of

financial year 2024-25 (FY25).

Such a statement is required under the Fiscal Responsibility and Budget Management (FRBM) Act.

NEED FOR FLEXIBILITY

It said that given the prevailing global economic and security environment, it is necessary for the government to retain a fair degree of flexibility in conducting its fiscal policy to be able to respond to any fallout from adverse global events.

The regular Budget presented in July did not

provide rolling targets under the Medium Term Fiscal Policy Statement (MTFPS) and the Fiscal Policy Strategy Statement (FPSS).

The Ministry emphasised that Budget 2024-25 was presented in the backdrop of global uncertainties caused by ongoing wars in Europe and the Middle East. "India's sound macro-economic fundamentals have cushioned the country from the vagaries afflicting the global economy. It also helped the nation pursue growth with fiscal consolidation. However, risks to growth still remain," it said.

Highlighting the mid-year benchmarks, data in the statement showed that fiscal deficit in the April-September period of FY25 is the lowest in five years as it has come down from 114.8 per cent of the Budget Estimates in FY21 to 29.4 per cent in the current fiscal.

The fiscal deficit in FY25 was estimated at ₹16.13 lakh crore, or about 4.9 per cent of the GDP. In H1 of FY 2024-25, the fiscal deficit is estimated at ₹4.75 lakh crore, which is less than one-third of the BE.