

Centre’s fiscal deficit at 62% of FY26BE in Apr-Nov FY26 vs 52% in FYTD-FY25 due to muted tax revenues, higher capex

January 6, 2025

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Data Highlights

Deficit

- The Union Government's fiscal deficit totaled Rs.9.8tn (62% of FY26BE) in Apr-Nov FY26, higher than Rs.8.5tn (52% of FY25BE) in FYTD FY25. Other metrics of deficit were also above their respective levels a year ago. Revenue deficit stood at 68% of FY26BE, vs. 62% of FY25BE in Apr-Nov FY25; primary deficit at 79% of FY26BE vs. 42% of FY25BE in FYTD FY25.

Receipts

- Total receipts amounted to Rs.19.5tn in Apr-Nov FY26, up 3%YY. The moderation in growth from 9% in FYTD FY25 reflected in slower pace in terms of share in BE at 56% of FY26BE vs. 59% of FY25BE in Apr-Nov FY25.
- The trend in total receipts was in line revenue receipts, which account for ~98% of receipts. The lower rate of increase in direct taxes reflected the moderation in growth of income tax revenues. This was partly offset by the year-on-year rise in corporate tax collections. Indirect tax revenues were in contraction, with declines across most key categories but the decrease in GST revenues was a major drag. These patterns were along expected lines amid GST rate cuts and the income tax relief announced in the Union Budget for FY26.
- In Apr-Nov FY26, the year-on-year rate of growth in gross tax revenues eased vis-à-vis FYTD FY25 and also in terms of share in BE vs. Apr-Nov FY25. Despite slower pace of year-on-year increase, devolution to States was almost at similar levels in terms of share in BE vis-à-vis Apr-Nov FY25 at ~65%. As a result, net tax revenues were down year-on-year in Apr-Nov FY26 vs. 1% growth in FYTD FY25. Under non-debt capital receipts, the ongoing pace suggests a fair probability of the disinvestment target being missed.

Expenditure

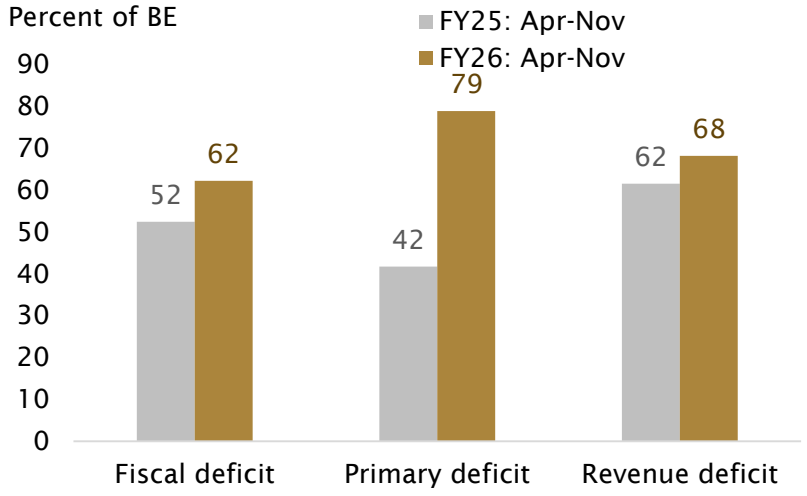
- The Centre's spending was at Rs.29.3tn, up 7%YY vs. 3% growth in FYTD FY25. In terms of share in BE, this amounted to levels similar in Apr-Nov FY25 at ~57%-58%.
- Capital spending growth was healthy at 28%YY and amounted to 59% of FY26BE, a reversal from the election-induced pause in FY25 that kept capex in contraction at 12%YY in Apr-Nov FY25 or at 46% of FY25BE.
- Revenue spending was up 2%YY, one fourth the pace of 8% growth in FYTD FY25. In terms of share in BE, this amounted to 57% of FY26BE vs. 60% of FY25BE in Apr-Nov FY25. Interest payments increased 13%YY vs. 8% growth in FYTD FY25 but amounted to similar levels in terms of share in BE at ~57%-58%. Subsidies were up 3%YY, lower than 15% growth in Apr-Nov FY25 but were higher in terms of share in BE at 68% vis-à-vis 65% in FYTD FY25.

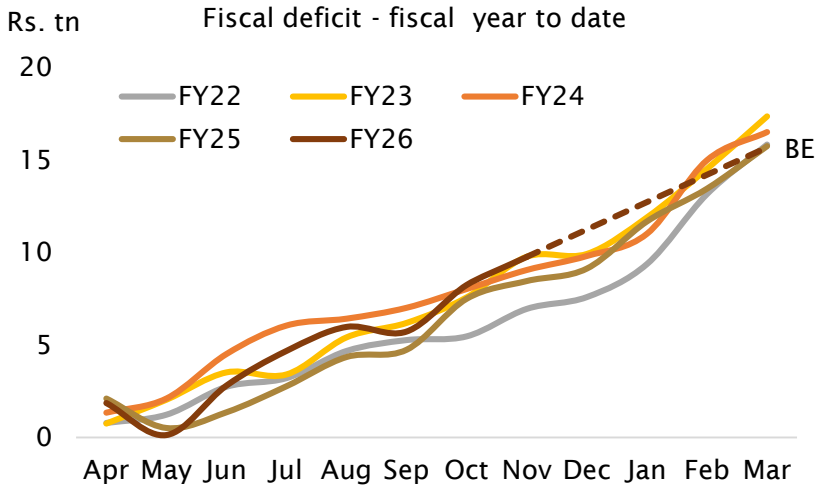
Outlook

- **Quality of expenditure:** In Apr-Nov FY26, there was slowdown in the year-on-year pace of revenue spending and an increase in capital expenditure. This resulted in an improvement in the quality of expenditure, as measured by ratios such as revenue expenditure to capital outlay, and revenue deficit to gross fiscal deficit.
- **Policy support:** In addition to the policy repo rate cuts that started in Feb-2025, the RBI's regulatory easing measures have revived non-food bank credit growth. The commercial sector continues to tap into non-bank sources of funding also that has led to continued higher flow of financial resources into the economy. This is reflected in the corporates' improved topline and tax revenues. Additionally, the income tax relief announced in Union Budget for FY26 and GST rate cuts are expected to boost domestic demand, also a key ingredient to broaden the private capex cycle, thereby offsetting some of the revenue loss from tax rationalization.
- **Support from non-tax revenues:** In Apr-Nov FY26, the Centre's non-tax revenues were up 21%YY, less than half the 50% pace in FYTD FY25. In terms of share in BE, revenues were at 89% vis-à-vis 78% in FYTD FY25. The largest portion of this overshoot was due to the RBI's dividend to the government for FY25 at Rs.2.7tn, accounted for in May-2025 data. This could continue to provide some fiscal room for slippages on account of any plausible shortfall in tax revenues. The trend in recent years of non-tax revenues exceeding targets and overall spending falling short of BE could enable the government to meet its deficit target for FY26.
- **Outlook:** There is scope for fiscal deficit to increase at a slightly quicker pace in the remaining months of FY26 and still meet the BE. Moreover, as noted earlier, lower revenue spending and higher non-tax revenues are expected to provide cushion against muted tax revenues.
- One of the risks to fiscal outlook could be weak nominal growth. The Budget for FY26 penciled in nominal GDP growth of 10.5%YY. In H1-FY26, nominal growth averaged 8.8% and needs to grow by over 12% in H2 to meet BE. This could be challenging due to muted domestic and global inflation, and amid expectations of slowdown in domestic economic momentum in H2 post the stellar 8% average real GDP growth in H1. On the flipside though, high frequency data shows improved activity in Q3 due to festive boost and GST rate cuts. If this buoyancy sustains beyond Q3, it could provide the required fillip to nominal growth. An additional boost to domestic growth and sentiment could come from the US-India trade deal that remains in a limbo.
- In a notable change that the government announced last year, the upcoming Union Budget for FY27 (slated for release next month) will target to lower the government debt to GDP ratio as the key metric, instead of the traditional fiscal deficit to GDP. Specifically, the FRBM statement of the Union Budget for FY26 laid down three scenarios to lower debt to GDP ratio to 50% by FY31 with +/-1% uncertainty bands; under mild, moderate, high degrees of consolidation and with nominal GDP growth assumptions of 10%, 10.5%, 11%. The FY26BE for Central Government debt to GDP was at 56.1% vis-à-vis FY25RE at 57.1%.

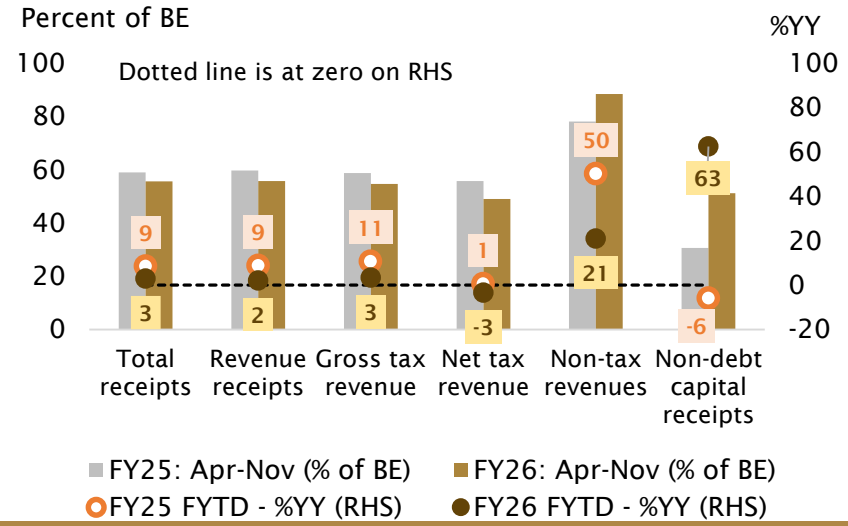
In Apr-Nov FY26, fiscal deficit widened to 62% of FY26 BE vis-à-vis 52% of FY25BE in FYTD FY25

All key metrics of deficit were higher in Apr-Nov FY26 vis-à-vis FYTD-FY25; net tax revenues remained in contraction

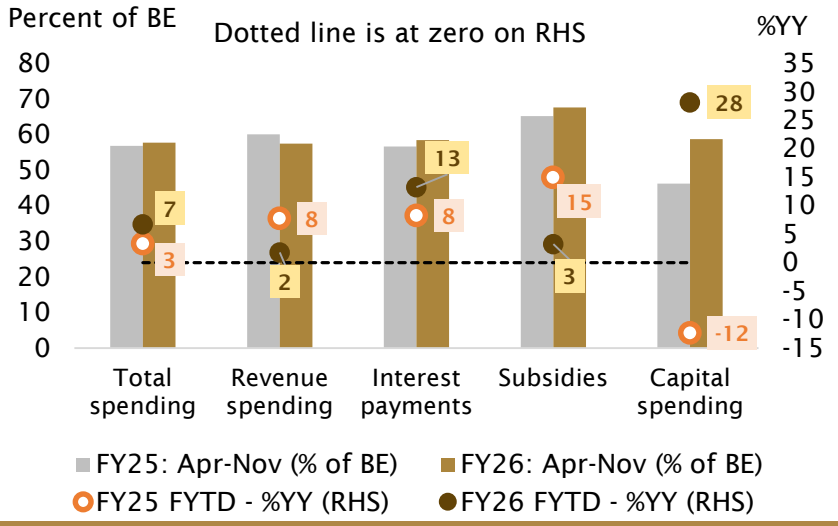




Central government receipts (FYTD Apr-Nov)



Central government expenditure (FYTD Apr-Nov)



Both direct and indirect tax revenues need to grow at faster rates in the remainder of FY26 to meet BE

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Tax revenues could undershoot BE due to income tax relief announced in Union Budget for FY26 and the GST rate cuts effective Sep-2025. Non-tax revenues could provide some cushion; mainly due to higher dividend receipts.

	Rs. bn	FYTD (Rs. bn)		FYTD - %YY		FY26BE		FY25BE		FY26BE	
	Nov-25	Nov-25	Nov-24	Nov-25	Nov-24	Rs. bn	(% of BE)	Rs. bn	(% of BE)	Current run rate	Required run rate
Revenue receipts	**1,469**	**19,103**	**18,705**	**2**	**9**	**34,204**	**56**	**31,292**	**60**	**2,388**	**3,775**
Net tax revenue	**1,196**	**13,939**	**14,434**	**(3)**	**1**	**28,374**	**49**	**25,835**	**56**	**1,742**	**3,609**
Direct taxes	**1,222**	**13,388**	**12,536**	**7**	**13**	**25,250**	**53**	**22,120**	**57**	**1,674**	**2,965**
Corporation tax	383	5,515	5,116	8	(1)	10,820	51	10,200	50	689	1,326
Income tax	787	7,483	7,008	7	24	14,380	52	11,870	59	935	1,724
Other taxes	52	391	412	(5)	70	50		50	824	49	(85)
Indirect taxes	**982**	**9,934**	**10,050**	**(1)**	**8**	**17,401**	**57**	**16,237**	**62**	**1,242**	**1,867**
Customs duty	140	1,429	1,541	(7)	9	2,400	60	2,377	65	179	243
Excise duty	281	1,913	1,751	9	(1)	3,220	59	3,240	54	239	327
Service tax	(0)	(12)	1	(1,305)	(76)	1	(1,157)	1	96	(1)	3
GST	**561**	**6,604**	**6,756**	**(2)**	**10**	**11,780**	**56**	**10,619**	**64**	**825**	**1,294**
CGST	829	6,365	6,039	5	13	10,109	63	9,109	66	796	936
IGST	(307)	(605)	(279)	117						(76)	151
Compensation cess	39	844	996	(15)	7	1,671	51	1,510	66	106	207
Taxes on UT	17	42	24	74	(20)	101	42	94	26	5	15
Gross tax revenue	**2,220**	**23,364**	**22,610**	**3**	**11**	**42,702**	**55**	**38,402**	**59**	**2,921**	**4,835**
Transfer to NDRF	8	59	55	8	12	104	57	95	58	7	11
Assignment to states	1,016	9,366	8,121	15	35	14,224	66	12,472	65	1,171	1,215
Non-tax revenues	**273**	**5,164**	**4,270**	**21**	**50**	**5,830**	**89**	**5,457**	**78**	**645**	**167**
Interest receipts	39	245	268	(9)	14	477	51	382	70	31	58
Dividends and Profits	153	3,395	2,791	22	113	3,250	104	2,891	97	424	(36)
Non-Tax Revenue of U.T.s	1	13	19	(33)	(18)	34	37	29	64	2	5
External grant	6.1	7	1.6	355	(1)	12	63	10	15	1	1
Other Non-Tax Revenue	73	1,503	1,191	26	(6)	2,057	73	2,144	56	188	138

Increase in fiscal deficit in Apr-Nov FY26 vis-à-vis FYTD FY25 due to higher capex, slower growth in revenue receipts

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On the revenue account, both receipts and spending grew at slower rates than in Apr-Nov FY25 but the FYTD pace of deficit was higher in terms of share in BE. Capex up year-on-year, compared to the decline in Apr-Nov FY25.

	(Rs. bn)	FYTD (Rs. bn)		FYTD - %YY		FY26BE		FY25BE		FY26BE	
	Nov-25	Nov-25	Nov-24	Nov-25	Nov-24	Rs. bn	(% of BE)	Rs. bn	(% of BE)	Current run rate	Required run rate
Revenue receipts	**1,469**	**19,103**	**18,705**	**2**	**9**	**34,204**	**56**	**31,292**	**60**	**2,388**	**3,775**
Non-debt capital receipts	**18**	**389**	**240**	**63**	**(6)**	**760**	**51**	**780**	**31**	**49**	**93**
Recovery of loans	18	152	150	2	(10)	290	52	280	53	19	34
Misc. capital receipts	0	237	90			470	50	500	18	30	58
Total receipts	**1,488**	**19,492**	**18,944**	**3**	**9**	**34,964**	**56**	**32,072**	**59**	**2,437**	**3,868**
Total expenditure	**3,003**	**29,259**	**27,410**	**7**	**3**	**50,653**	**58**	**48,205**	**57**	**3,657**	**5,349**
Revenue expenditure	**2,598**	**22,677**	**22,275**	**2**	**8**	**39,443**	**57**	**37,094**	**60**	**2,835**	**4,191**
Interest payments	721	7,458	6,585	13	8	12,763	58	11,629	57	932	1,326
Subsidies	418	2,883	2,792	3	15	4,262	68	4,284	65	360	345
Transfer to states	154	676	691	(2)	(23)	1,328	51	1,324	52	85	163
Rural development	63	908	1,029	(12)	18	1,878	48	1,776	58	113	242
Others	1,243	10,752	11,178	(4)	8	19,212	56	18,081	62	1,344	2,115
Capital expenditure	**405**	**6,582**	**5,135**	**28**	**(12)**	**11,211**	**59**	**11,111**	**46**	**823**	**1,157**
Defence	87	1,169	767	52	(16)	1,924	61	1,822	42	146	189
Railways	192	1,820	1,683	8	(1)	2,520	72	2,520	67	227	175
Roads and highways	22	1,770	1,468	21	(16)	2,722	65	2,722	54	221	238
Loan to states for capex	87	690	701	(2)	5	1,500	46	1,500	47	86	203
Others	17	1,134	516	120		2,545	45	2,546	20	142	353
Fiscal deficit	**1,515**	**9,767**	**8,466**	**15**	**(7)**	**15,689**	**62**	**16,133**	**52**	**1,221**	**1,481**
Primary deficit	**795**	**2,309**	**1,881**	**23**	**(37)**	**2,926**	**79**	**4,504**	**42**	**289**	**154**
Revenue deficit	**1,129**	**3,574**	**3,570**	**0.1**	**3**	**5,238**	**68**	**5,802**	**62**	**447**	**416**
FD/GDP (%)						**4.4**		**4.9**			
PD/GDP (%)						0.8		1.4			
RD/GDP (%)						1.5		1.8			

Improved corporate tax revenues have helped to partly offset weak income tax, GST collections amid rationalization steps

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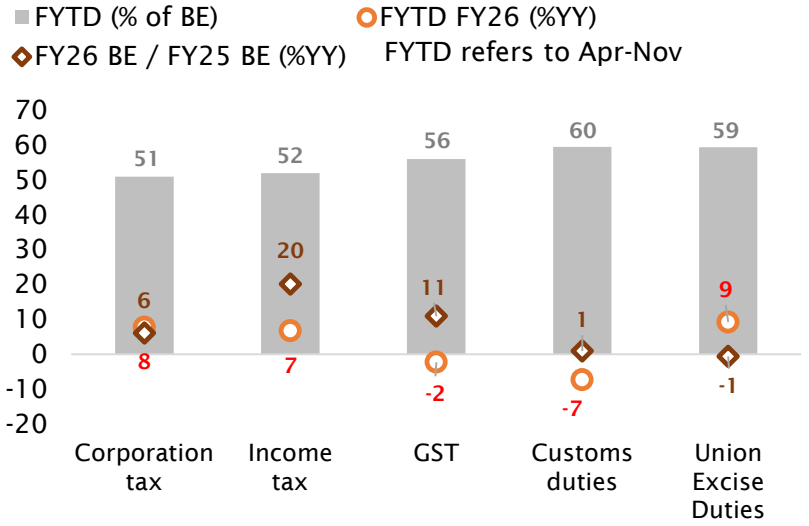
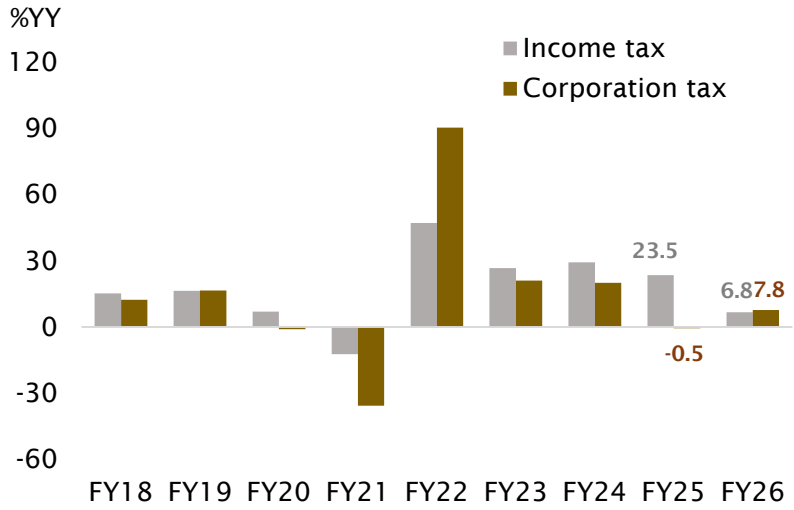
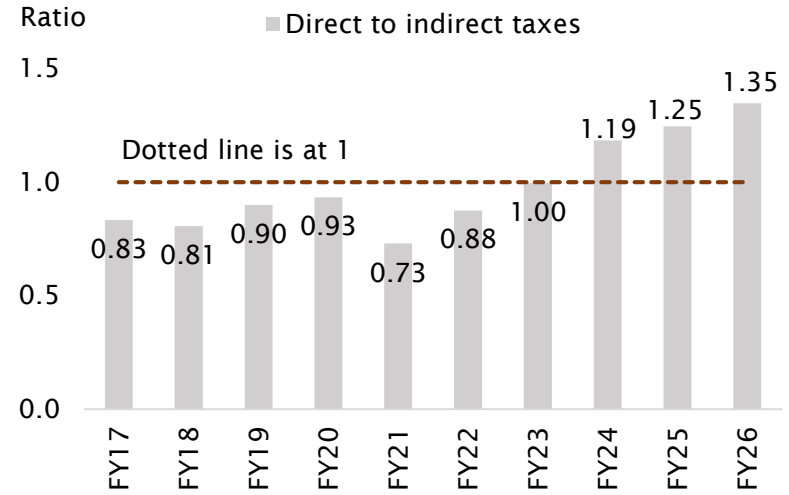
Tax collections (FYTD is fiscal year-to-date Apr-Nov)



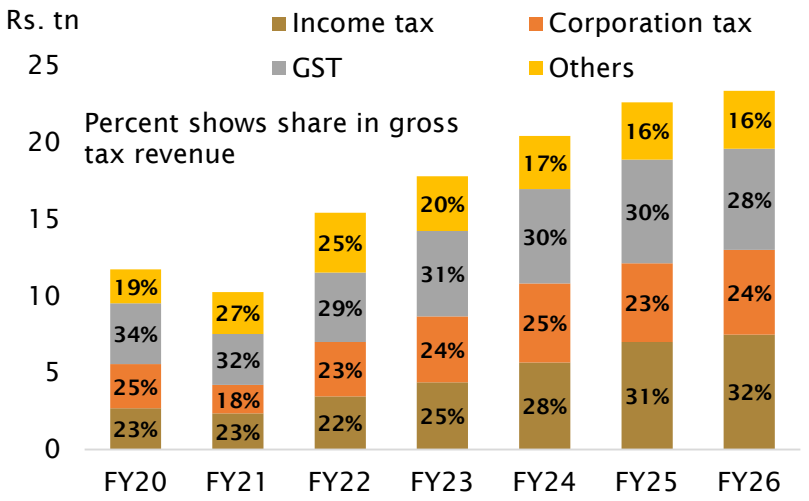
Tax collections (Apr-Nov), cumulative FYTD



Tax revenues (Apr-Nov), cumulative FYTD

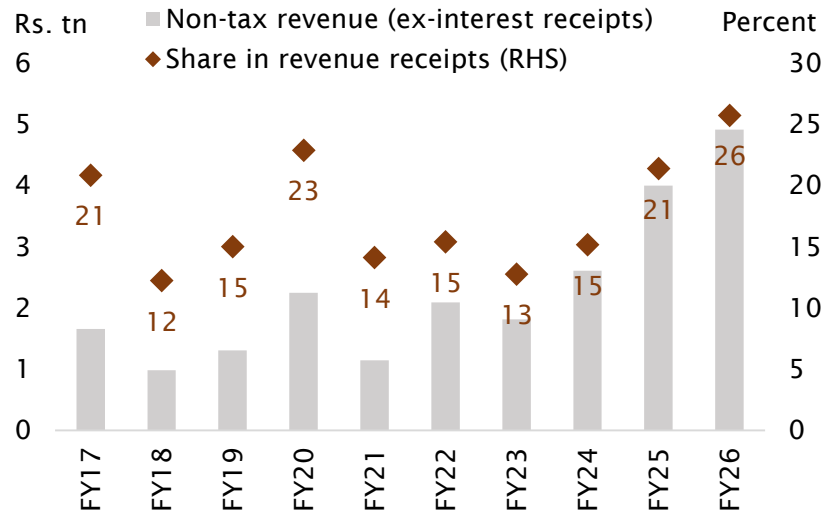


Tax revenues by type (Apr-Nov), cumulative FYTD

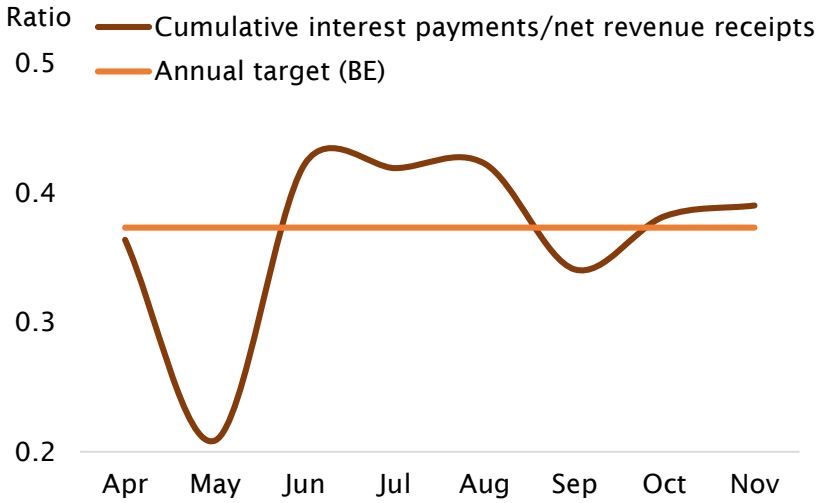


Debt servicing on track despite slower growth in revenue receipts; disinvestment likely to miss FY26BE

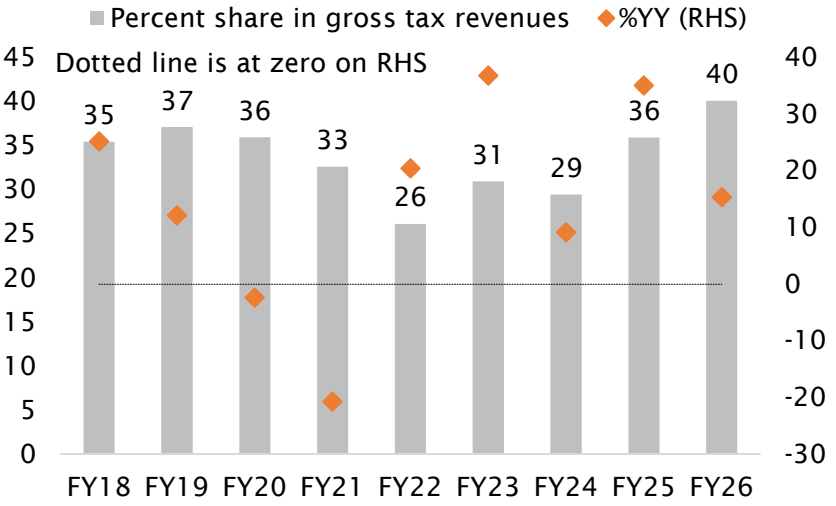
Non-tax revenues (Apr-Nov), cumulative FTYD



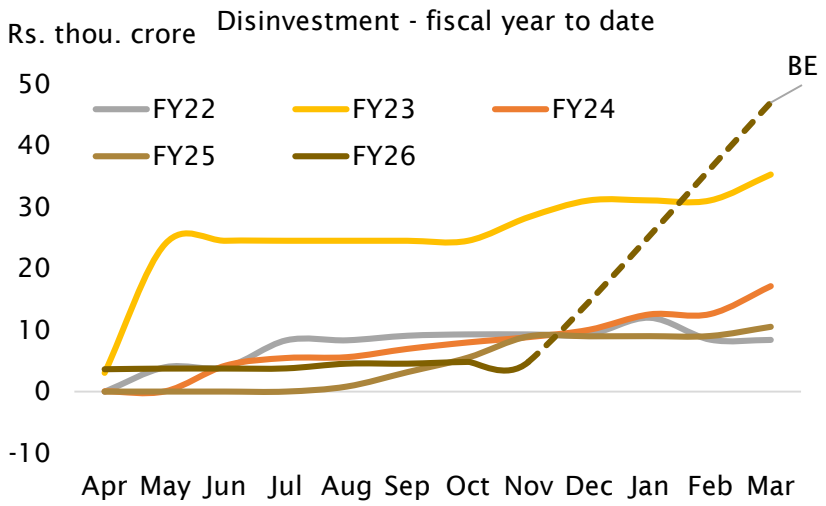
FYTD average debt service ratio in line with FY26BE



Tax devolution to States (Apr-Nov), cumulative FTYD

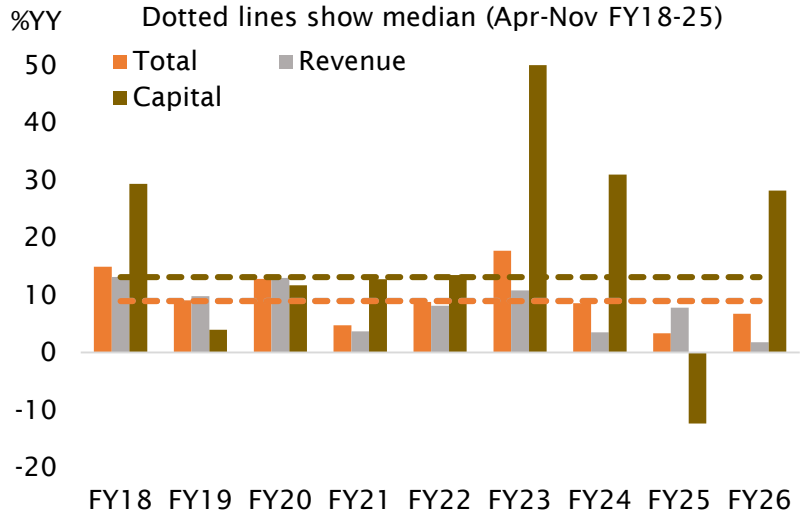


Disinvestment at 10% of FY26BE in Apr-Nov

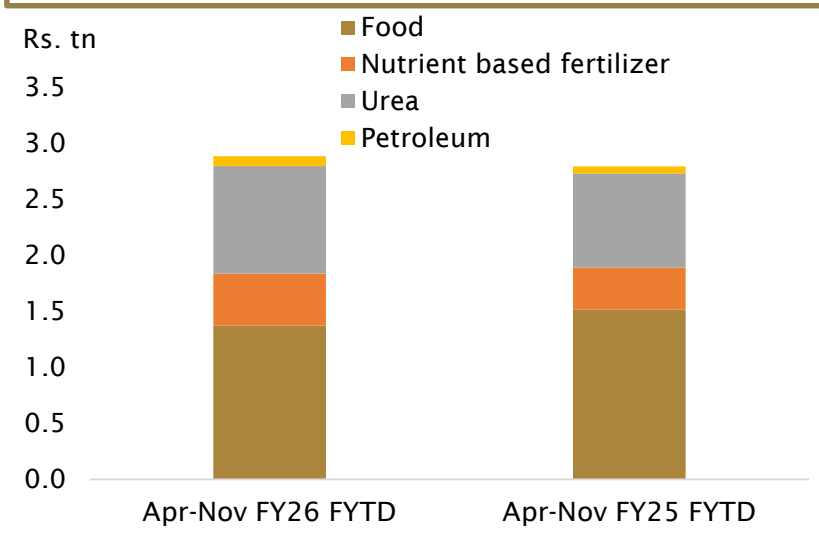


Expenditure quality improved in Apr-Nov FY26 vis-à-vis FYTD-FY25 amid increased capital spending

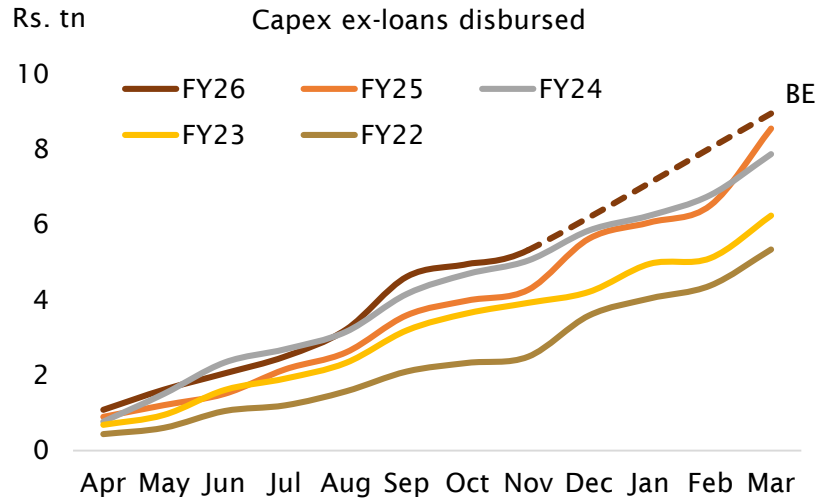
Healthy pace of capex growth vis-à-vis decline last year



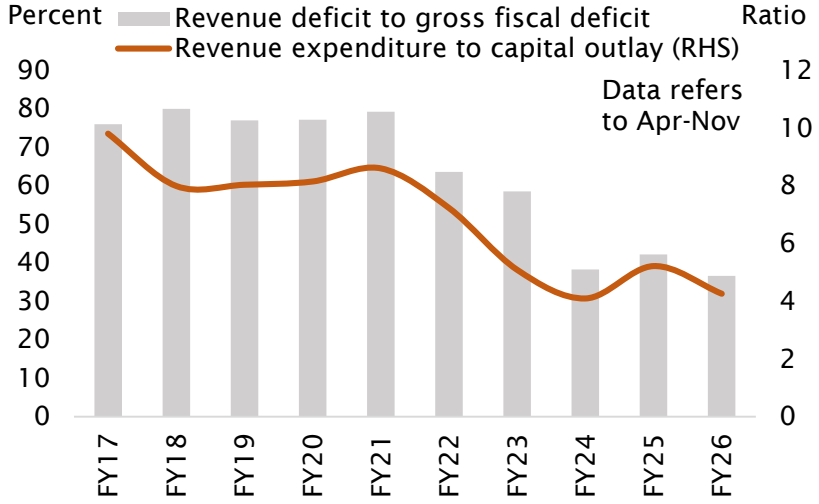
Total subsidies up 3%YY in Apr-Nov FY26



Capital outlay at 59% of FY26BE vs 46% in FYTD-FY25



Expenditure quality improved y-o-y in FYTD-FY26



Railways, roads remained frontrunners of capex in Apr-Nov FY26; increase in subsidies reflected in higher revenue spending

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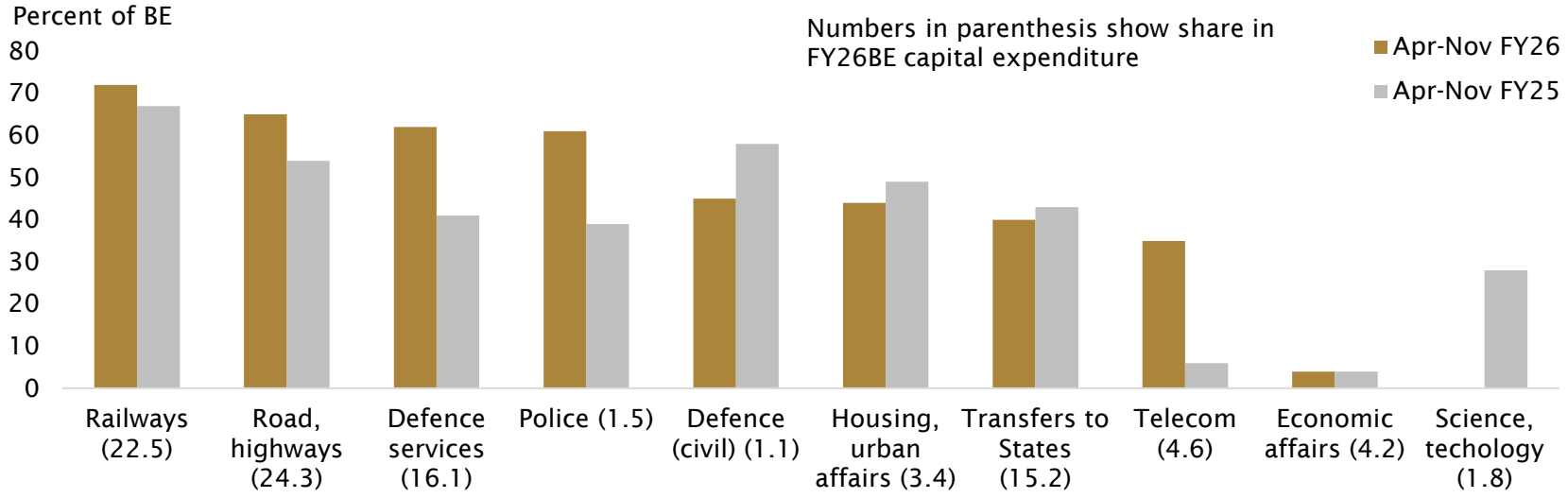
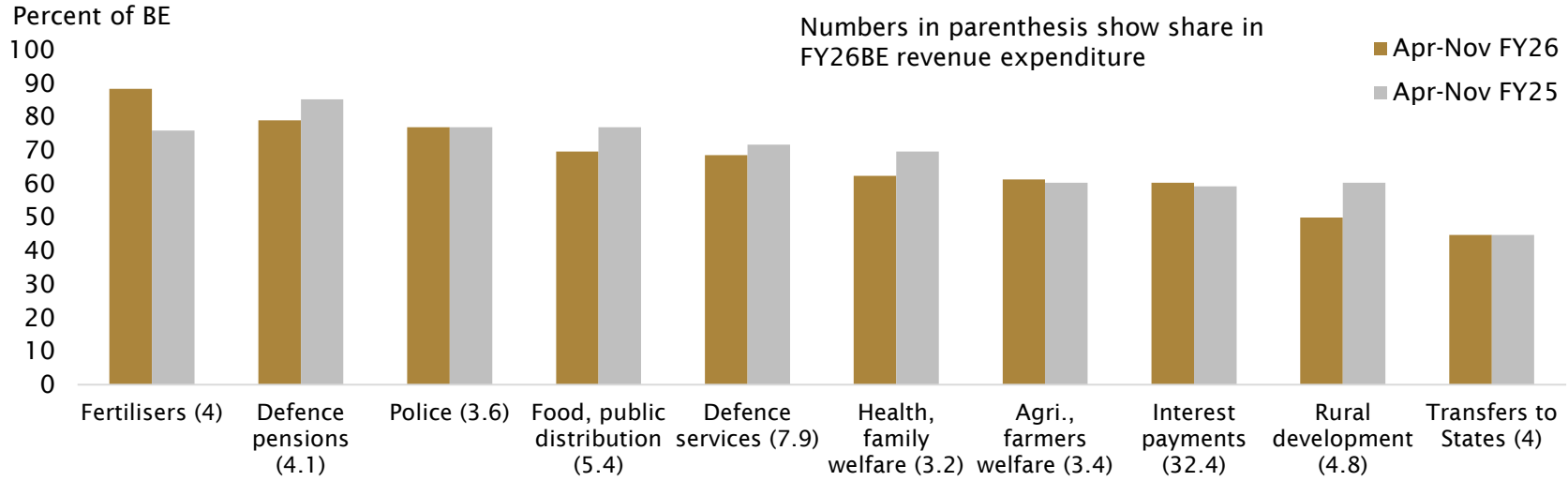
Railways, roads continued to lead capex; department of food, public distribution among top five in nominal terms



Higher fertilizer, lower food subsidy in FYTD-FY26 reflected in revenue spending of respective departments



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