

Macro Insights

01st October 2026

Highlights:

Fiscal deficit stands at 41.9% of FY'27 target as of August 2026 as against 38.1% a year ago

The government's fiscal deficit till August 2026 stood at ₹7.10 lakh crore amounting to 41.9% of the Budget Estimates (BE) vis-à-vis ₹5.98 lakh crore i.e. 38.1% during the same period last year.

- Govt.'s total expenditure stood ₹20.78 lakh crore reaching 38.9% of the BE up to August 2026. This compares to ₹18.81 lakh crore recorded in the same period last year i.e. 37.1% of estimate.
- Capital expenditure amounting to ₹5.10 lakh crore up to August 2026 reached 41.7% of the BE, compared to 38.5% during last year.
- Total revenue receipts of ₹12.92 lakh crore accounted for 36.6% of the BE, which is at same level when compared with same period last year.

Government of India Accounts (up to August 2026)

(₹ Lakh Crore)

Components	Budget Estimates 2026-2027	Actuals up to August 2026	% of Actuals to Budget Estimates	
			Current	Corresponding Period Previous Year
Revenue Receipts	35.33	12.92	36.6%	36.6%
Net Tax Revenue	28.67	8.38	29.2%	28.6%
Non-Tax Revenue	6.66	4.55	68.2%	75.5%
Total Receipts	36.52	13.68	37.5%	36.7%
Revenue Expenditure	41.25	15.68	38.0%	36.7%
Of which Interest Payments	14.04	5.15	36.7%	41.4%
Capital Expenditure	12.22	5.10	41.7%	38.5%
Total Expenditure	53.47	20.78	38.9%	37.1%
Fiscal Deficit	16.96	7.10	41.9%	38.1%
Revenue Deficit	5.92	2.76	46.5%	37.9%
Primary Deficit	2.92	1.95	67.0%	23.7%

Source: CGA

☞ For the first 5 months of FY2027, revenue receipts showed a growth of 3.34% year-on-year. The government's net tax revenue increased marginally by 3.40% year-on-year in the April to August period of FY27. The non-debt capital receipts have grown from ₹0.32 lakh crore to ₹0.75 lakh crore in the first 5 months of FY2027.

Insights on Major Components of Net Tax Revenue

(₹ Lakh Crore)

Parameters	August'25 (5M)	August'26 (5M)	YoY%
Gross Tax Revenue	13.44	14.32	6.54%
Corporate Tax (+)	2.29	2.65	15.36%
Income Tax (+)	4.41	4.95	12.34%
Securities Transaction Tax (+)	0.22	0.34	51.20%
CGST (+)	3.91	4.51	15.42%
Customs (+)	0.83	1.07	28.24%
Union Excise Duties (+)	1.12	0.87	-22.55%
Assignment to States (-)	5.30	5.90	11.36%

Source: CGA

Insights on Major Subsidies

(₹ Crore)

Parameters	August'25 (5M) Actuals	Budget Estimates (FY27)	August'26 (5M) Actuals	FY27 Actuals% to BE	YoY%
Food	64,408	2,27,629	83,510	37%	29.66%
Nutrient Based Fertilizers	24,841	54,000	25,617	47%	3.12%
Urea	60,622	1,16,799	77,522	66%	27.88%
Petroleum	506	12,085	388	3%	-23.32%
Total Major Subsidies	1,50,377	4,10,513	1,87,037	46%	24.38%

Source: CGA

Views & Outlook:

- ☞ The revenue landscape shows a widening gap between highly resilient direct taxes and shrinking union excise duties. Corporate tax (15.36%) and personal income tax (12.34%) are expanding healthily due to better compliance and a formalising economy, while an active equity market has triggered a 51.20% surge in Securities Transaction Tax. However, cutting fuel taxes to help consumers caused Union Excise Duties to plunge by 22.55%. This has left a noticeable gap in the budget that the September and December advance tax collections need to cover. This shortfall, combined with the Centre front-loading an 11.36% increase in tax devolution back to the states, has temporarily slowed the growth of its own Net Tax Revenue.
- ☞ On the spending side, the government is executing a deliberate strategy to front-load high-multiplier infrastructure projects early in the fiscal year. Capital expenditure has achieved 41.7% of its annual budget target (₹5.10 lakh crore), outpacing last year's execution rate. However, this fast infrastructure spending, paired with rising daily operating costs, is temporarily outrunning early-year tax collections. This leaves the government with much tighter spending choices for the rest of the year.
- ☞ In the first five months, major subsidies jumped 24.38% year-on-year to ₹1.87 lakh crore, consuming 46% of the yearly budget. However, volatile global energy prices caused by ongoing geopolitical tensions in West Asia remain a risk that could drive future fertiliser and fuel bills higher.
- ☞ India's economy remains stable against global risks. This stability is backed by strong foreign exchange reserves, which stood at \$765.90 billion as of September 18, 2026, alongside a healthy surplus from service exports. Additionally, government bond yields remained stable and orderly throughout the first five months of the fiscal year.
- ☞ Achieving India's 4.3% GDP fiscal deficit target relies on upcoming seasonal tax rushes to offset rising welfare bills and an August slowdown. The main challenge is on the spending side, where subsidies have already hit 46% of their annual limit in just five months. Fertiliser costs alone have burned through 66% of their yearly budget, and a flare-up in West Asian tensions could spike global energy import bills even further. The control over non-essential spending combined with strong seasonal tax inflows will be vital to protect infrastructure investments and keep the deficit target on track.

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