Macro Insights

01st October 2025

Fiscal deficit stands at 38.1% of target in August 2025 as against 27% a year ago

The government's fiscal deficit in August 2025 period came in at ₹5.98 lakh crore amounting to 38.1% of the Budgeted estimates (BE) vis-à-vis ₹4.35 lakh crore i.e. 27% of BE during the same period last year.

Highlights:

- Govt.'s total expenditure stood at ₹18.81 lakh crore reaching 37.1% of the BE during April-August 2025. This compares to ₹16.52 lakh crore recorded in the same period last year i.e. 34.3% of target.
- Capital expenditure amounting to ₹4.32 lakh crore during April-August 2025 reached 38.5% of the budgeted target compared to 27.1% during last fiscal.
- Total receipts of ₹12.83 lakh crore accounted for 36.7% of the BE, down from 38.0% last year during the same period, due to lower growth in both tax & non-tax revenue compared to last year.

Government of India Accounts (April - August 2025)

	Budget Estimates 2025-2026 (₹ Lakh Crore)	Actuals Apr'25-Aug'25 (₹ Lakh Crore)	% of Actuals to Budget Estimates	
			Current	Corresponding Period Previous Year
Revenue Receipts	34.20	12.51	**36.6%**	**38.6%**
Net Tax Revenue	**28.37**	**8.10**	**28.6%**	**33.8%**
Non-Tax Revenue	5.83	4.40	**75.5%**	61.3%
Total Receipts	34.96	12.83	**36.7%**	38.0%
Revenue Expenditure	39.44	14.49	**36.7%**	36.4%
Of which Interest Payments	12.76	5.29	**41.4%**	34.4%
Capital Expenditure	**11.21**	**4.32**	**38.5%**	**27.1%**
Total Expenditure	50.65	18.81	**37.1%**	34.3%
Fiscal Deficit	**15.69**	**5.98**	**38.1%**	**27.0%**
Revenue Deficit	5.24	1.99	**37.9%**	24.7%
Primary Deficit	2.93	0.69	**23.7%**	7.8%

Source: CGA

Views and Outlook:

- By August end, revenue receipts grew by 3.5% YoY, largely supported by dividend transfers by RBI. Govt's Gross tax revenue grew at a meagre pace of 0.8% YoY during Apr-Aug'25, much lower than 12.2% in the corresponding period of FY25, mainly due to a 2.5% contraction in personal income tax on account of income tax slab revision and unfavorable base effect, while it grew by 25.5% YoY in the same period last year. Corporate tax revenue also grew at a modest 2.1% during this period.
- Among indirect taxes, GST revenues registered a single digit growth of 5.2% during Apr-Aug'25. With the recent GST rate rationalization, growth in revenues might remain subdued until the income effect kicks, leading to increased consumption. Union excise duties, on the other hand, recorded a growth of 7.6%, while custom duties contracted by 11.9% during this period.
- On the expenditure front, capital expenditure surged impressively, rising by roughly 43.4% YoY to reach ₹4.32 lakh crore, up from ₹3.1 lakh crore a year earlier. This was largely bolstered by a 175% growth in loans and advances. This increase builds on consistent momentum, with capex rising steadily from about 1.6% of GDP in FY 2014-15 to 3.1% of GDP in the FY 2025-26 budget.
- Front loading the capex has supported the economic momentum. The ministries with the highest amount of capital expenditure, both roads and railways, have seen an increase in expenditure in proportion to budget allocation during April-August FY26 period at 43% and 52%, respectively compared to 39% and 45% in the same period last year.
- Revenue Expenditure increased to ₹14.49 lakh crore (7.2% YoY), compared to ₹13.51 lakh crore in the same period last year.
- In the Union Budget 2025-26, the government had budgeted its fiscal deficit target to 4.4% of GDP for FY26. It aims to maintain fiscal prudence in line with its earlier commitment to bring it down below 4.5% by FY26, as is also reflected in the borrowing calendar for the second half of the current fiscal. Given the current economic scenario, it is anticipated that the government will achieve its fiscal deficit target for FY26.

For any feedback or valuable suggestions: *Reach us at* ***eicsmead@pnb.co.in***