

Macro Insights

01st March 2026

Fiscal deficit stands at 63.0% of target as of January 2026 as against 74.5% a year ago

The government's fiscal deficit till January 2026 period came in at ₹9.81 lakh crore amounting to 63.0% of the Revised Estimates (RE) vis-à-vis ₹11.69 lakh crore i.e. 74.5% of RE during the same period last year.

Highlights:

- ☞ Govt.'s total expenditure stood at ₹36.90 lakh crore reaching 74.3% of the RE during April-January 2026. This compares to ₹35.70 lakh crore recorded in the same period last year i.e. 75.7% of estimate.
- ☞ Capital expenditure amounting to ₹8.42 lakh crore during April-January 2026 reached 76.9% of the revised target compared to 74.4% during last year.
- ☞ Total revenue receipts of ₹26.52 lakh crore accounted for 79.3% of the RE, marginally up from 76.8% last year during the same period, due to better achievement in net tax revenue (78.3%) compared to (74.4%) last year.

Government of India Accounts (April – January 2026) (₹ Lakh Crore)

	Revised Estimates 2025-2026	Actuals Apr'25-Jan'26	% of Actuals to Budget Estimates	
			Current	Corresponding Period Previous Year
Revenue Receipts	33.42	26.52	79.3%	76.8%
Net Tax Revenue	26.75	20.94	78.3%	74.4%
Non-Tax Revenue	6.68	5.57	83.5%	88.1%
Total Receipts	34.06	27.09	79.5%	76.3%
Revenue Expenditure	38.69	28.48	73.6%	76.1%
<i>Of which Interest Payments</i>	12.74	9.88	77.6%	76.9%
Capital Expenditure	10.96	8.42	76.9%	74.4%
Total Expenditure	49.65	36.90	74.3%	75.7%
Fiscal Deficit	15.58	9.81	63.0%	74.5%
Revenue Deficit	5.27	1.96	37.3%	72.4%
Primary Deficit	2.84	-0.07	-2.4%	68.1%

Source: CGA

Views and Outlook:

- ☞ By the end of January 2026, revenue receipts had grown by 11.8% year-on-year. The government’s net tax revenue increased at a pace of 10.0% year-on-year during April to January 2026, well above the 1.3% recorded in the same period of FY25.

Insights on Tax Collection till January 2026

(₹ Lakh Crore)

Parameters	Apr'24- Jan'25	Apr'25- Jan'26	YoY%
Gross Tax Revenue	29.84	32.42	8.63%
Corporation Tax	7.51	8.62	14.73%
Income Tax	9.13	9.57	4.86%
Union Excise Duties	2.26	2.49	10.02%

Source: CGA

- ☞ From April to January 2026, GST collections among indirect taxes recorded a moderate growth rate of 6.2% compared to the previous year.
- ☞ On the expenditure side, capital expenditure saw a remarkable jump, climbing by approximately 11.2% year-on-year to ₹8.42 lakh crore, up from ₹7.57 lakh crore a year ago.
- ☞ Revenue expenditure only showed marginal growth of 1.3% when compared with the same period last year.

Top 10 Ministries by Expenditure till January 2026

(₹ Lakh Crore)

Sl. No.	Ministry	Apr'24- Jan'25	Apr'25- Jan'26	YoY%
1	Finance	13.19	13.28	0.72%
2	Defence	5.10	5.78	13.30%
3	Road Transport and Highways	2.43	2.50	3.03%
4	Railways	2.33	2.50	7.08%
5	Home affairs	1.90	2.04	7.30%
6	Consumer Affairs, Food and Public Distribution	1.84	1.91	3.58%
7	Chemicals and Fertilizers	1.60	1.76	10.14%
8	Rural Development	1.25	1.04	-16.51%
9	Agriculture and Farmers Welfare	0.87	0.88	1.10%
10	Education	0.78	0.82	5.18%

Source: CGA

- ☞ In the Union Budget for 2026-27, the government has set a fiscal deficit target of 4.4% of GDP for FY26 and projects a figure of 4.3% for FY2026-27. These targets are aligned with the planned borrowing strategy and indicate prudent fiscal management, balancing expenditure discipline with measures to stimulate economic growth through increased non-tax revenues and capital investment.
- ☞ The ongoing conflict between the US and Iran threatens India's fiscal deficit primarily through a "scissors effect" of surging expenditure and cooling revenue. As the world's third-largest oil importer, India faces a massive spike in its subsidy bill for fertilizers and cooking gas due to crude prices exceeding \$100 per barrel and the closure of the Strait of Hormuz. While the government has so far shielded consumers by freezing retail petrol and diesel prices, this forces state-run oil companies to absorb losses or requires the exchequer to cut excise duties, directly draining the treasury.
- ☞ Simultaneously, high energy costs and supply chain disruptions act as a drag on the broader economy, leading to lower GST and corporate tax collections, which makes the 4.3% fiscal deficit target for FY 2026-27 increasingly difficult to achieve without cutting essential infrastructure spending. Despite this challenge, given the current economic scenario, it is expected that the government will meet its fiscal deficit target for FY26 and continue to maintain fiscal discipline.
- ☞ Moving forward, utilising advanced technologies to boost tax compliance, streamlining processes to encourage greater investment, and fostering collaboration between public and private sectors in infrastructure are essential for ongoing economic growth and fiscal stability. Sustained oversight, frequent monitoring of vital economic indicators, and prompt policy changes will support the government's efforts to achieve its fiscal deficit targets.

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