Macro Insights

01st November 2025

Fiscal deficit stands at 36.5% of target in September 2025 as against 29.4% a year ago

The government's fiscal deficit in September 2025 period came in at ₹5.73 lakh crore amounting to 36.5% of the Budgeted estimates (BE) vis-à-vis ₹4.75 lakh crore i.e. 29.4% of BE during the same period last year.

Highlights:

- Govt.'s total expenditure stood at ₹23.03 lakh crore reaching 45.5% of the BE during April-September 2025. This compares to ₹21.11 lakh crore recorded in the same period last year i.e. 43.8% of target.
- Capital expenditure amounting to ₹5.81 lakh crore during April-September 2025 reached 51.8% of the budgeted target compared to 37.3% during last fiscal.
- Total receipts of ₹17.30 lakh crore accounted for 49.5% of the BE, down from 51.0% 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 - September 2025)

	Budget Estimates 2025-2026 (₹ Lakh Crore)	Actuals Apr'25-Sept'25 (₹ Lakh Crore)	% of Actuals to Budget Estimates	
			Current	Corresponding Period Previous Year
Revenue Receipts	34.20	**16.95**	**49.6%**	**51.8%**
Net Tax Revenue	**28.37**	**12.29**	**43.3%**	**49.0%**
Non-Tax Revenue	5.83	4.66	**79.9%**	65.5%
Total Receipts	34.96	17.30	**49.5%**	51.0%
Revenue Expenditure	39.44	17.23	**43.7%**	45.7%
Of which Interest Payments	12.76	5.78	**45.3%**	44.3%
Capital Expenditure	**11.21**	**5.81**	**51.8%**	**37.3%**
Total Expenditure	50.65	23.03	**45.5%**	43.8%
Fiscal Deficit	**15.69**	**5.73**	**36.5%**	**29.4%**
Revenue Deficit	5.24	0.27	**5.2%**	12.8%
Primary Deficit	2.93	-0.05	**-1.7%**	-9.0%

Source: CGA

Views and Outlook:

- By the end of September, revenue receipts had grown by 4.5% year-on-year, largely supported by dividend transfers from the Reserve Bank of India. The government's gross tax revenue increased at a modest pace of 2.8% year-on-year during April to September 2025, well below the 12.0% rise recorded in the same period of FY25. This slower growth was mainly due to a 2.8% decline in net tax revenue, which can be attributed to recent changes in income tax slabs and an unfavourable base effect. In contrast, net tax revenue had grown by 9.0% year-on-year during the same period last year.
- Data from the Income Tax Department (for FY 2025-26 as of 12 October 2025) reveals that gross corporate tax collections rose by 4.9% compared to the equivalent period in the previous financial year. Meanwhile, non-corporate tax collections—including personal income tax—saw a marginal increase of just 0.5% over last year.
- From April to September 2025, GST collections among indirect taxes recorded a moderate growth rate of 9.8% compared to the previous year. However, with the recent rationalisation of GST rates, revenue growth may remain subdued until the positive effects on income and consumption become more evident.
- On the expenditure side, capital expenditure saw a remarkable jump, climbing by approximately 51.8% year-on-year to ₹5.81 lakh crore, up from ₹4.15 lakh crore a year ago. This surge was primarily driven by a substantial 114.6% increase in loans and advances. The momentum in capex continues to build, as it has steadily risen from around 1.6% of GDP in FY 2014-15 to 3.1% of GDP in the FY 2025-26 budget.
- Revenue expenditure also edged higher, reaching ₹17.23 lakh crore—a 1.5% year-on-year increase from ₹16.97 lakh crore during the same period last year.
- In the Union Budget for 2025-26, the government set a fiscal deficit target of 4.4% of GDP for FY26. This underscores a steadfast commitment to fiscal discipline, aligning with the earlier objective of bringing the deficit below 4.5% by FY26, as reflected in the borrowing calendar for the latter half of the current financial year. The fiscal outcome so far reflects a measured balance between spending and consolidation. Stronger non-tax revenue and higher capital outlay have supported growth momentum, while lower tax receipts highlight the need for continued revenue strengthening in the second half of the year. Given the prevailing economic environment, it appears likely that the government will be able to achieve its fiscal deficit target for FY26.
- Moreover, adopting advanced technological solutions to strengthen tax compliance, streamlining procedures to improve the ease of doing business, and fostering public-private partnerships in infrastructure development will contribute significantly to sustaining economic growth and achieving fiscal consolidation. It is imperative for the government to exercise prudent fiscal management, continuously monitor macroeconomic indicators, and implement timely policy measures to ensure steady progress towards meeting the deficit reduction targets.

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