Economic Intelligence Cell
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Macro Insights

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Fiscal deficit stands at 9.6% of target as of May 2026 as against 0.8% a year ago

The government's fiscal deficit in May 2026 came in at ₹1.62 lakh crore amounting to 9.6% of the Budget Estimates (BE) vis-à-vis ₹0.13 lakh crore i.e. 0.8% of BE during the same period last year.

Highlights:

- Govt.'s total expenditure stood ₹8.81 lakh crore reaching 16.5% of the BE in May 2026. This compares to ₹7.46 lakh crore recorded in the same period last year i.e. 14.7% of estimate.
- Capital expenditure amounting to ₹2.51 lakh crore in May 2026 reached 20.5% of the BE, compared to 19.7% during last year.
- Total revenue receipts of ₹6.99 lakh crore accounted for 19.8% of the BE, marginally down 20.7% last year during the same period.

Government of India Accounts (May 2026) **(₹ Lakh Crore)**

	Budget Estimates 2026-2027	Actuals upto May 2026	% of Actuals to Budget Estimates	
			Current	Corresponding Period Previous Year
Revenue Receipts	35.33	6.99	19.8%	20.7%
Net Tax Revenue	**28.67**	**3.48**	**12.1%**	**12.4%**
Non-Tax Revenue	6.66	3.51	52.7%	61.2%
Total Receipts	36.52	7.19	19.7%	21.0%
Revenue Expenditure	41.25	6.30	15.3%	13.3%
Of which Interest Payments	14.04	1.81	12.9%	11.6%
Capital Expenditure	**12.22**	**2.51**	**20.5%**	**19.7%**
Total Expenditure	53.47	8.81	16.5%	14.7%
Fiscal Deficit	**16.96**	**1.62**	**9.6%**	**0.8%**
Revenue Deficit	5.92	-0.69	-11.6%	-34.9%
Primary Deficit	2.92	-0.19	-6.5%	-46.0%

Source: CGA

☞ For the month of May 2026, revenue receipts had de-grown by 1.2% year-on-year. The government's net tax revenue decreased by 0.8% year-on-year in May 2026. The non-tax revenue also decreased by 1.68% on YoY basis.

Insights on Tax Collection in May 2026 **(₹ Lakh Crore)**

Parameters	May'25	May'26	YoY%
Gross Tax Revenue	5.15	5.25	1.82%
Corporate Tax	0.45	0.57	26.07%
Income Tax	1.92	2.05	6.82%
Customs	0.29	0.40	37.49%
Net GST Revenue	3.58	3.78	5.48%

Source: CGA, GST

Views & Outlook:

☞ Total revenue receipts reached ₹6.99 lakh crore (19.8% of BE), reflecting a marginal 1.2% year-on-year de-growth for the month of May 2026. The primary drivers of this variance were a ₹12,086 crore increase in fiscal transfers to states under Net Tax Revenue, coupled with a ₹17,392 crore year-on-year decline in Non-Tax Revenue due to lower sovereign receipts from economic services like telecom spectrum fees, petroleum royalties etc. However, underlying tax parameters reveal strength in specific sectors, as Corporate Tax surged by 26.07%, Customs grew by 37.49%, and Net GST Revenue saw a steady 5.48% increase year-on-year. The government's non-tax revenue remains robust, standing at 52.7% of the BE (₹3.51 lakh crore).

☞ A significant event for the current fiscal math is the RBI's approval of a record-breaking ₹2.87 lakh crore surplus transfer to the central government. This unprecedented payout acts as a substantial fiscal cushion. It provides the government with significant room to balance spending commitments and borrowing requirements without immediately pressuring the narrowing fiscal deficit targets.

☞ On the monetary policy front, the RBI's Monetary Policy Committee (MPC) unanimously decided on June 5, 2026, to keep the benchmark repo rate unchanged at 5.25%. Maintaining a "neutral" stance, the RBI prioritized macroeconomic stability and revised its FY27 CPI inflation forecast sharply upward to 5.1% from an earlier 4.6%. This upward revision was driven by geopolitical risks, volatile energy prices, and El Nino effect.

- The domestic growth outlook has been marginally moderated, with the RBI cutting its FY27 real GDP growth forecast from 6.9% to 6.6%. Rising energy costs fuelled by Middle East geopolitical tensions have pushed the Indian basket of crude oil around $110 per barrel, adding pressure on input costs and weighing on economic activity in May 2026.
- Despite depreciation pressures on the rupee (which touched 95.24 against the U.S. dollar post-policy) and elevated crude prices, India possesses adequate safeguards to manage global financial volatility. Foreign direct investment (FDI) inflows continue to show strength, and foreign exchange reserves provide a buffer against ongoing global volatility.
- However, because the US-Iran war has paused as diplomatic discussions are now underway, the expected stabilization of global oil prices, alongside targeted government fuel subsidies, will provide critical support to shield key sectors and ease domestic inflationary pressures.
- If tax revenues maintain its growth projections and structural reforms persist, the Union Budget 2026-27 target to lower the full-year fiscal deficit to 4.3% of GDP remains attainable. The government must carefully manage any escalation in food and fertilizer subsidies to prevent a squeeze in primary capital expenditure. The front-loaded capex strategy and a controlled revenue deficit target of 1.5% will position the economy to maintain a healthy balance between long-term growth and fiscal consolidation.

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