

Fiscal Monitor

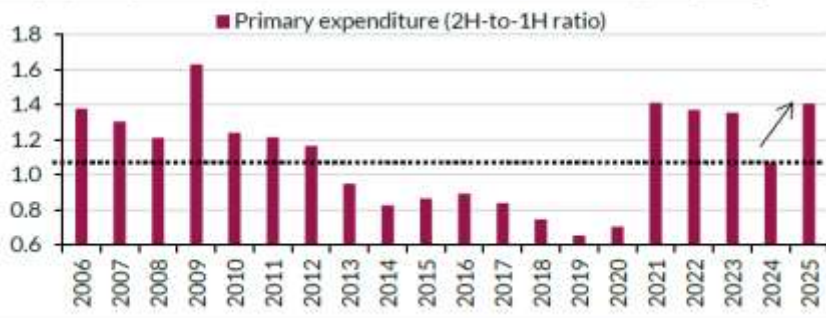
Centre's capex up 51% in Jan; to aid growth momentum

Jan 2025 central fiscal deficit was 16% of FY25 budget, vs. 11% median, taking 10M deficit to 75% of FY25 vs. 84% normally. This gap of 9pp was 33pp in 1H. FYTD, personal income tax collection grew +22% YoY but corporate tax fell 1% YoY. Net receipts though were weak only due to the double transfer to states in Jan (last year: Feb), and fiscal resources would be available to meet RE spending targets, implying +13% YoY in Feb-Mar. Capex grew +51%YoY in Jan after +95% in Dec, and likely +15% in Feb/Mar. 2% upgrade to FY23-25 GDP to bring down deficit ratio to 4.7% and union govt. debt ratio to 55% vs 57% earlier.

Exhibit 1 - Rolling 12M fiscal deficit at 5.4%; capex recovers strongly

| | % of GDP | | % of FY | | YoY%, YTD |
|------------------------|----------|--------------|---------|------------|-----------|
| | FY25 RE | Trailing 12M | FY25 | 20Y median | |
| Net tax revenue | 7.7% | 7.2% | 73.7% | 73.9% | 1% |
| Income tax | 3.80% | 3.61% | 72.6% | 71.1% | 22% |
| Corporate tax | 2.96% | 2.78% | 76.7% | 70.2% | -1% |
| GST | 3.21% | 3.22% | 82.8% | 82.1% | 11% |
| Non-tax revenue | 1.78% | 1.63% | 88.1% | 76.7% | 38% |
| Expenditure | | | | | |
| Revenue | 11.2% | 11.3% | 76.1% | 77.6% | 7% |
| Capital | 3.1% | 3.0% | 74.4% | 74.8% | 5% |
| Fiscal Deficit | 4.7% | 5.3% | 74.5% | 83.9% | |

Primary spending to see a major boost in 2HFY25 which should support growth



Source: Axis Bank Economic Research.

Expenditure needs to rise 13% YoY in Feb-Mar to reach revised est. for FY25

Overall spending in Jan grew 12% YoY; capex continues to catch up (+51% YoY, FYTD 74% of RE vs. 10Y median of 77%). With capex incrementally a higher share of total spending than in prior months, the overall impact on growth is larger. Spending needs to grow at 13% YoY in the remaining two months to meet RE target: will support GDP growth.

Receipts weakened in Jan, corporate tax collections down 69%YoY

FYTD net receipts at 78% of RE were the lowest since FY21, and adjusted for RBI dividend, lowest since FY16. While this was primarily due to front-loaded transfers to states (Jan this year vs. Feb last year), we note corporate tax collections are weak (down 1% YoY), offsetting the strength in income tax collections (+22% YoY).

With revised FY25 nominal GDP (+2.2%), fiscal deficit likely at 4.7% of GDP

10M fiscal deficit stood at 75% of FY25 RE vs. 64% last year. This is primarily due to timing of transfers to states; there is fiscal space for spending in Feb/Mar. Upward revisions to GDP for FY23-25 could bring the deficit ratio to 4.7% in FY25 (RE: 4.8%) and FY26 (4.3%; BE: 4.4%). The central govt. debt-to-GDP would fall to 55% vs. 57% earlier.

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