



Fiscal Update: Apr-Jun FY2019

For the period Apr-June FY2019, the fiscal deficit reached Rs 4.29 Lac Cr as against the budget estimate (BE) of Rs 6.24 Lac Cr. The fiscal deficit stands at 68.7% of BE, lower than 80.8% in the corresponding period last year. At the same time, revenue deficit stands at 84.7% of budgeted estimate as compared to 119.1% seen in the same period last year.

Table 1: Government's Fiscal Position				
	In Rs Cr		As a % of BE	
	FY 2019 (BE) (Rs Cr)	Apr-June FY19	Apr-June FY19	Apr-June FY18
(A) Revenue Receipts	17,25,738	2,67,771	15.5%	13.1%
i) Tax Revenue (Net)	14,80,649	2,37,170	16.0%	14.5%
ii) Non-Tax Revenue	2,45,089	30,601	12.5%	7.6%
(B) Non Debt Capital Receipts	92,199	10,843	11.8%	11.5%
Total Receipts (A+B)	18,17,937	2,78,614	15.3%	13.1%
(A) Revenue Expenditure	21,42,283	6,20,659	29.0%	31.7%
(B) Capital Expenditure	2,99,930	86,988	29.0%	22.1%
Total Expenditure (A+B)	24,42,213	7,07,647	29.0%	30.3%
Fiscal Deficit	6,24,276	4,29,033	68.7%	80.8%
Revenue Deficit	4,16,545	3,52,888	84.7%	119.1%
Primary Deficit	48,481	2,84,118	586.0%	1314.4%
<i>Source: CGA</i>				

Revenue Side

Total receipts for the period Apr-Jun FY2019 stands higher than the corresponding period of the previous year due to a significant increase in tax and non tax revenue. In absolute terms, gross tax revenue collection for the period of Apr-June went up by 22.1% as against the gross tax collections last year. Collection by way of Goods and Services Tax have also picked up pace in the recent months, however it remains uncertain if they will be robust enough to reach budgeted estimates. Formalization of the economy and expansion in the tax base would be essential in ensuring adequate funds going forward. Though interest receipts so far this year have improved, dividend payout by RBI would be another factor to be watched.



Table 2: Government Revenues (In Rs Cr)		
	Apr-June FY19	Apr-June FY18
Gross Tax Revenue	3,95,038	3,23,420
Corporation Tax	66,427	67,259
Income Tax	86,297	76,497
CGST	91,114	-
IGST	47,140	-
UT GST	206	-
GST Compensation Cess	23,720	-
Customs	33,779	63,859
Union Excise Duties	40,052	64,673
Service Tax	3,212	47,048
Other taxes	3,061	4,084
Collections to be transferred to NCCD (<i>less</i>)	341	1,538
Assignment to States (<i>less</i>)	1,57,527	1,44,545
Net Tax Revenue	2,37,170	1,77,337

Although, the non-debt capital receipts currently stand slightly higher than the previous year, the government's ability to continue its disinvestment activity at a robust pace would aid in balancing any shortfall faced on the tax front.

Revenue and Capital expenditure

Based on the available data, it would appear that the government has slowed down its expenditure to some extent in the first quarter of the year, standing at 29% of BE compared to 30.3% last year. At the same time, similar pace of expenditure has been maintained on both the capital and revenue front at 29% of BE compared to the previous year where revenue expenditure stood at 31.7% of BE and capital expenditure at 22.1% of BE. This increase in capital spending indicates additional initiative towards growth and development activity in the economy. However, with this fiscal year being a pre-election year, populist policies could potentially lead to an increase in expenditure and consequently widen fiscal deficit.



Outlook

The government expects to trim the deficit to 3.3% of GDP in 2018-19, after meeting an upwardly revised fiscal deficit target of 3.5% of GDP in 2017-18. Though revenue collections display a growing trend, future trajectory of direct and indirect tax collection would play a crucial role in meeting the fiscal consolidation target. A year into GST, improvement in compliance after the initial teething problems is expected to boost collections in the coming months. Despite the recent reduction in tax rates for various commodities, an increase in tax base would also compensate for any lost revenue. Additionally, concentrated efforts to ensure that expenditure is maintained within target levels would be necessary to meet the fiscal deficit targets this fiscal year.

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