



Fiscal Update: Apr-Jun FY20

- ✓ For the period of Apr-Jun FY20, the fiscal deficit reached Rs 4.32 Lac Cr as against the budgeted estimate (BE) of Rs 7.04 Lac Cr for FY20. The fiscal deficit stands at 61.4% of BE, lower than 68.7% in the corresponding period last year.
- ✓ Revenue deficit stands at 79.4% of budgeted estimate as compared to 84.7% seen in the same period last year.
- ✓ Total receipts for the period Apr-Jun FY20 stood at 13.92% of BE, lower than 15.3% seen in the same period last year on account of lower disinvestment proceeds and GST revenues collection.
- ✓ Government expenditure stands at 25.92% of the budgeted estimate, lower than the 29% in the corresponding period last year. Such decline in the expenditure side can be majorly attributed to the lower capital expenditure which stood at just 18.76% of the BE as compared to 29% in the same period last year.
- ✓ The government revised the fiscal deficit target to 3.3% of GDP for FY20 in Union Budget which was released on 5th July 2019 as against 3.4% of GDP, stated in Interim Budget.
- ✓ Government revised its tax revenue targets for FY20 upward with corporation tax, taxes on income and goods and services tax to 15%, 23% and 14% respectively over the actual numbers for FY19. Going forward, it remains watchful as to how they will manage their finances in the current year order to adhere to the fiscal consolidation roadmap.

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For the period of Apr-Jun FY20, the fiscal deficit reached Rs 4.32 Lac Cr as against the budgeted estimate (BE) of Rs 7.04 Lac Cr for FY20. The fiscal deficit stands at 61.4% of BE, lower than 68.7% in the corresponding period last year. At the same time, revenue deficit stands at 79.42% of budgeted estimate as compared to 84.7% seen in the same period last year.

Table 1: Government's Fiscal Position				
	In Rs Cr		As a % of BE	As a % of RE
	FY19 (BE)	Apr - Jun FY20	Apr - Jun FY20	Apr - Jun FY19
(A) Revenue Receipts (A+B)	19,77,693	2,84,886	14.40%	15.50%



i) Tax Revenue (Net)	17,05,046	2,51,411	14.75%	16.00%
ii) Non Tax Revenue	2,72,647	33,475	12.28%	12.50%
(B) Non Debt Capital Receipts	1,02,508	4,764	4.65%	11.80%
Total Receipts (A+B)	20,80,201	2,89,650	13.92%	15.30%
(A) Revenue Expenditure	24,48,391	6,58,705	26.90%	29.00%
(B) Capital Expenditure	3,35,809	63,000	18.76%	29.00%
Total Expenditure (A+B)	27,84,200	7,21,705	25.92%	29.00%
Fiscal Deficit	7,03,999	4,32,055	61.37%	68.70%
Revenue Deficit	4,70,698	3,73,819	79.42%	84.70%
Primary Deficit	38,938	2,90,300	745.54%	586.00%
<i>Source: CGA</i>				

Revenue Side

Total receipts for the period Apr-Jun FY20 stood at 13.92% of BE, lower than 15.3% seen in the same period last year. Lower disinvestment proceeds and GST revenues collection majorly pulled down the number. Under revenue receipts, total gross tax revenue collections for the period Apr-Jun FY20 were marginally up by 1.36% as compared to total gross tax collections in the corresponding period last year. While, direct tax collections remained robust for the first quarter of FY20, indirect tax collections still struggle to pick up pace and is currently pegged at 23.2% of the budgeted estimate as compared to 25% last year. Though, non-tax revenue receipts stayed in line with last year's number, dividend payout by RBI would be an important factor to be watched going forward.

	Apr – Jun FY20	Apr – Jun FY19
Gross Tax Revenue	4,00,421	3,95,038
Corporation Tax	70,640	66,427
Income Tax	96,927	86,297
CGST	1,16,805	91,144
IGST	10,670	47,140
UT GST	513	206
GST Compensation Cess	24,613	23,720
Customs	39,480	33,779
Union Excise Duties	36,951	40,052



Service Tax	648	3,212
Other taxes	3,174	3,061
Collections to be transferred to NCCD <i>(less)</i>	379	341
Assignment to States <i>(less)</i>	1,48,631	1,57,527
Net Tax Revenue	2,51,411	2,37,170

Apart from revenue receipts, non-debt capital receipts witnessed a slowdown mainly on account of low disinvestment proceeds. However, in the month of July 2019, disinvestment by government through CPSE ETF led the proceeds to increase by Rs 10,000 Cr and totaled to Rs 12,357 Cr as on 31st July 2019.

Revenue and Capital expenditure

Inferring from the available data, government expenditure stands at 25.92% of the budgeted estimate, lower than the 29% in the corresponding period last year. This decline in the expenditure can be majorly attributed to the lower capital expenditure which stood at just 18.76% of the BE as compared to 29% in the same period last year. Such fall in capital expenditure could indicate lower spending for the infrastructural development of the economy for the current fiscal. On the other hand, outlay of subsidies has increased to 51% of BE as compared to 44% in same period last year. Petroleum and Urea subsidies rose to 76% and 39% of BE respectively as against 47% and 19% respectively in corresponding period last year. Going forwards, in light of lower revenue collections, government would need to slow down the expenditure in order to adhere to fiscal deficit target of 3.3% of GDP.

Outlook

The government revised the fiscal deficit target to 3.3% of GDP for FY20 in Union Budget which was released on 5th July 2019 as against 3.4% of GDP, stated in Interim Budget. This downward revision was mainly on account of higher nominal GDP number. At the same time, government revised its tax revenue targets for FY20 upward with corporation tax, taxes on income and goods and services tax to 15%, 23% and 14% respectively over the actual numbers for FY19. Since, last year it was difficult for the government to achieve the estimated revenue targets, it remains watchful as to how they will manage their finances in the current year order to adhere to the fiscal consolidation roadmap.



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