STCI
Primary Dealer Ltd

Fiscal Update: Apr-Sep FY19

For the period of Apr-Sep FY2019, the fiscal deficit reached Rs 5.94 Lac Cr as against the budget estimate (BE) of Rs 6.24 Lac Cr. The fiscal deficit stands at 95.3% of BE, higher than 91.3% in the corresponding period last year. However, revenue deficit stood lower at 108% of the budgeted estimate as compared to 118% 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 - Sep FY19**	**Apr - Sep FY19**	**Apr - Sep FY18**
(A) Revenue Receipts (A+B)	17,25,738	6,91,752	40.1%	41.1%
i) Tax Revenue (Net)	14,80,649	5,82,783	39.4%	44.2%
ii)Non Tax Revenue	2,45,089	1,08,969	44.5%	28.0%
(B) Non Debt Capital Receipts	92,199	17,731	19.2%	32.0%
Total Receipts (A+B)	**18,17,937**	**7,09,483**	**39.0%**	**40.6%**
(A) Revenue Expenditure	21,42,283	11,41,586	53.3%	54.6%
(B) Capital Expenditure	2,99,930	1,62,629	54.2%	47.3%
Total Expenditure (A+B)	**24,42,213**	**13,04,215**	**53.4%**	**53.5%**
Fiscal Deficit	6,24,276	5,94,732	95.3%	91.3%
Revenue Deficit	4,16,545	4,49,834	108.0%	118.0%
Primary Deficit	48,481	3,39,300	699.9%	1164.7%

Source: CGA

Ria Modh
ria@stcipd.com
022-66202244

Monisha Chawla
monisha@stcipd.com
022-66202245

Revenue Side

The revenue receipts from Apr-Sep FY19 averaged 39.0% dragged down by lower-than-expected GST revenues and lower divestment proceeds. Gross direct tax revenue collection for the period Apr-Sep FY19 went up by 16.92% from the same period last year. Direct tax collections are expected to remain robust for the rest of the year, though may not fully compensate for lower indirect tax collections. Monthly collections through GST collections stand below expectations and a pick-up in its pace as the year approaches an end would aid the government in adhering to its fiscal deficit target. Nevertheless, collections through Non-Tax revenue component strengthened to 44.5% of BE as against 28.0% observed in the previous year as dividend payout by RBI was as per expectations.

Table 2: Government Revenues (In Rs Cr)		
	Apr – Sep FY19	**Apr – Sep FY18**
Gross Tax Revenue	9,05,799	8,33,840
Corporation Tax	2,43,742	2,07,904
Income Tax	1,95,603	1,67,851
CGST	2,14,946	30,398
IGST	27,189	1,01,347
UT GST	805	-
GST Compensation Cess	46,938	15,773
Customs	64,456	87,060
Union Excise Duties	1,00,590	1,29,973
Service Tax	4,707	75,923
Other taxes	6,823	17,611
Collections to be transferred to NCCD ***(less)***	827	2,386
Assignment to States ***(less)***	3,22,189	2,89,096
Net Tax Revenue	5,82,783	5,42,358

Apart from tax collections, non-debt capital receipts currently stand much lower than the previous year. The government's ability to continue its disinvestment activity at a robust pace, as it did the previous year, would aid in balancing any shortfall faced on the tax front.

Revenue and Capital expenditure

The government has maintained a measured pace for expenditure this year, standing at 53.4% of the budgeted estimates. Similar pace of expenditure has been maintained on the capital and revenue fronts, 53.3% of BE and 54.2% of BE respectively. This increase in capital spending indicates initiative towards boosting the growth and development of 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

By taking efforts to control expenditure and strengthen its receipts, the government seems intent of adhering to the fiscal target of 3.3%. The fiscal arithmetic for the rest of the year may turn challenging as revenue collections may fail to keep up with the pace of expenditure. With GST tax collections lagging behind budget targets, the government would need to ramp up its disinvestment activity, as it did the previous year. Going forward, despite the reduction in tax rates for various commodities, an increase in tax base could compensate for any lost revenue.

The gross G-Sec borrowing calendar for the year was reduced by Rs 70,000 Cr this financial year. While this move aided in stabilizing the demand-supply dynamics in the bond market, it could potentially add pressure on the receipts side of the budget.

Despite being a pre-election year, the government has remained vigilant of its expenditure activity. With rising global uncertainties and geo-political risks, prudence in fiscal management will ensure improvement in domestic sentiment. For the rest of the year, revenue collections and pace of expenditure would need to be closely monitored.

STCI Primary Dealer Ltd.
CIN: U67110MH2006PLC165306
A/B1- 801, A Wing, 8th floor, Marathon Innova, Marathon Next Gen Compound,
Off. Ganpatrao Kadam Marg, Lower Parel (w), Mumbai 400013.

Dealing Room: (022) 66202217-20 ● Settlements: (022)66202262-64, Fax (022) 66202288
Delhi Office: (011) 47676557-58 ● Kolkata Office: (033) 40611435-36
Please mail your feedback to stcipd@stcipd.com ● Website: http://www.stcipd.com