



Fiscal Update: Apr-Sep FY22

- ✓ For the period Apr-Sep FY22, the fiscal deficit stood at Rs. 5.27 Lakh Crore as against the budget estimate of Rs. 15.07 Lakh Crore for FY22. Consequently, the fiscal deficit reached 35% of budget estimate, substantially lower than 114.8% in the corresponding period last year.
- ✓ Following the similar trend as fiscal deficit, revenue deficit and primary deficit came in substantially lower than the previous year at 27.7% and 23.4% of budget estimates respectively as compared to 125.2% and 690.2% of budget estimates respectively in the corresponding period last year.
- ✓ Total receipts for the period Apr-Sep FY22 stood at 55.6% of budget estimate, considerably higher than 25.2% seen in the same period last year, largely on account better than anticipated tax collections, both direct and indirect.
- ✓ Total expenditure stood at 46.7% of budget estimate, marginally lower than 48.6% in the corresponding period last year.

For the period Apr-Sep FY22, the fiscal deficit reached Rs. 5.27 Lakh Crore as against the budget estimate of Rs. 15.07 Lakh Crore for FY22. The fiscal deficit stood at 35% of budget estimate, significantly lower than 114.8% in the corresponding period last year. At the same time, revenue deficit stood at 27.7% of budget estimate as compared to 125.2% seen in the same period last year.

Revenue Side

Table 1: Government's Fiscal Position				
	In Rs. Cr.		As a % of BE	As a % of BE
	FY22	Apr - Sep FY22	Apr - Sep FY22	Apr - Sep FY21
(A) Revenue Receipts (A+B)	17,88,424	10,81,048	60.4%	27.3%
i) Tax Revenue (Net)	15,45,396	9,20,692	59.6%	28.0%
ii) Non-Tax Revenue	2,43,028	1,60,356	66.0%	24.0%
(B) Non-Debt Capital Receipts	1,88,000	18,118	9.6%	6.5%



Total Receipts (A+B)	19,76,424	10,99,166	55.6%	25.2%
(A) Revenue Expenditure	29,29,128	13,96,666	47.7%	49.9%
(B) Capital Expenditure	5,54,108	2,29,351	41.4%	40.3%
Total Expenditure (A+B)	34,83,236	16,26,017	46.7%	48.6%
Fiscal Deficit	15,06,812	5,26,851	35.0%	114.8%
Revenue Deficit	11,40,704	3,15,618	27.7%	125.2%
<i>Source: CGA</i>				

Total receipts for the period Apr-Sep FY22 stood at 55.6% of budget estimate, higher than 25.2% seen in the same period last year. Robust tax collections through GST, higher excise duties and strong non-tax revenue with dividends and profits exceeding the budget estimate targets mostly due to the RBI dividend of Rs. 90,000, the fiscal position of the Central Government was stronger as compared to the previous year. Total gross tax revenue collections for the period Apr-Sep FY22 are up by a massive 64% as compared to total gross tax collections in the corresponding period last year. For FY22, the RBI transferred dividend of Rs. 99,122 Crore as against Rs. 57,128 Lakh Crore in the previous financial year. This dividend was paid out for a period of nine months from July 2020 –March 2021 since the accounting calendar of the RBI has been changed from July-June to April-March. The mending of loopholes in the GST system coupled with a genuine pick up in business across the board after the relaxation of the restrictions implemented after the onset of the second wave of the pandemic led to a significant growth in tax revenues for the Government and should aid in keeping the fiscal front broadly balanced.

Table 2: Government Revenues (In Rs. Cr.)

	Apr – Sep FY22	Apr – Sep FY21
Gross Tax Revenue	11,83,808	7,20,896
Corporation Tax	3,08,663	1,50,464
Income Tax	2,74,172	1,66,489
CGST	2,66,052	1,62,479
IGST	5,943	27,946
UT GST	1260	953
GST Compensation Cess	49,131	34,964
Customs	92,653	40,347
Union Excise Duties	1,71,684	1,28,753
Service Tax	226	916



Other taxes	14,024	7,585
Collections to be transferred to NCCD (<i>less</i>)	2970	2447
Assignment to States (<i>less</i>)	2,60,146	2,59,941
Net Tax Revenue	9,20,692	4,58,508

Non-debt capital receipts of the government were marginally better as compared to the previous year. Till Sep-21, funds raised by the government from disinvestment stands at a mere Rs. 9,113 Crore as compared to the budget estimate of Rs. 1.75 Lakh Crore.

Revenue and Capital expenditure

Government expenditure for Apr-Sep FY22 was marginally lower as compared to the expenditure in the comparable period in FY21 as a percentage of budgeted estimates. With the advent of second wave of the pandemic during Apr-Jun FY22, the Central Government became cautious in spending which was also visible in hefty government cash balances. For the period Apr-Sep FY22, revenue expenditure stood at 47.7% of budget estimate as compared to 49.9% in the same period last year and capital expenditure stood at 41.4% as against 40.3% in the corresponding period last year. Going forward, expenditure especially on the capital side is expected to sharply pick up on the back of waning fears of third wave of the pandemic, widespread vaccinations and sturdy tax collections.

Outlook

The pandemic led to a significant widening of fiscal deficit, which resulted in a sharp spike in Government's market borrowing to finance the excess deficit. Though the fiscal condition of the Government remained fragile, the accounts show remarkable improvement especially in the tax revenues segment. Steady GST collections (Avg monthly collections for Apr-Sep FY22 at Rs. 1.14 Lakh Crore), robust union excise duties and better income and corporation tax, helped the Government to keep the fiscal deficit substantially below the budget estimate for FY22. The Government was able to narrow the fiscal deficit for the first half of the current financial year, as spending was tepid during the same period in addition to the robust revenue stream. While, the Government remained excessively cautious due to the evolving COVID-19 situation, resulting in lower spending on revenue and capital side, the pattern is expected to change with a sharp spike anticipated in capital expenditure. This should lead to positive multiplier effects in the medium term.



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