Macro Fiscal | Key Highlights

Fiscal deficit consolidation 5.8% (FY24) to 5.1% (FY25) and further to 4.5% (FY26)

Highlights

Strong capex growth 28.4% in FY24 (RE) and 16.9% in FY25 (BE)

- **Growth:** The interim budget has indicated a nominal GDP growth of 10.5%. Combining this with a real growth of 7% (MoF's review of the Indian economy), the underlying assumption for the implicit price deflator (IPD)-based inflation is at 3.3% for FY25.
- **Tax revenues:** Gross tax revenue (GTR) growth is budgeted at 11.5% in FY25 (BE), slightly lower than 12.5% in FY24 (RE). Given the high buoyancy of direct taxes, the actual GTR growth may turn out to be higher than budgeted.
- Any additional revenues over and above the budgeted amounts can then be directed towards augmenting capital expenditure growth.
- **Expenditure priorities:** Revenue expenditure growth has been limited to 3.2% in FY25.
- Capital expenditure growth has been lowered to 16.9% in FY25 (BE) over FY24 (RE) as compared to 28.4% in FY24 (RE) over FY23 Actuals.
- The easing of capex growth may be partially neutralized by the continuation of the interest free loans to states for their capital expenditure.
- **Social sector spending:** Social sector spending on selected 10 major schemes (including MGNREGA, National Health Mission, National Education Mission, Pradhan Mantri Krishi Sinchai Yojna, Pradhan Mantri Awas Yojana) together amount to nearly INR4.3 lakh crore which is 12% of GoI's primary expenditure in FY25 (BE), slightly higher than 11.4% in FY24 (RE).
- **Highest priority to fiscal consolidation:** The fiscal deficit to GDP ratio is budgeted to fall by 70 basis points to 5.1% of GDP in FY25 (BE) from 5.8% in FY24 (BE).
- As GoI's fiscal deficit to GDP falls, both gross and net market borrowings to fall in FY25 (BE) from their FY24 (RE) levels. This would facilitate a lowering of the interest rate, facilitating private investment.
- The budget establishes a healthy balance of pursuing fiscal consolidation while not compromising on growth.