

Q1 Fiscal Deficit Widens to 17.9% as Expenditure Rises

Experts confident of economy achieving 4.4% target for 2025-26

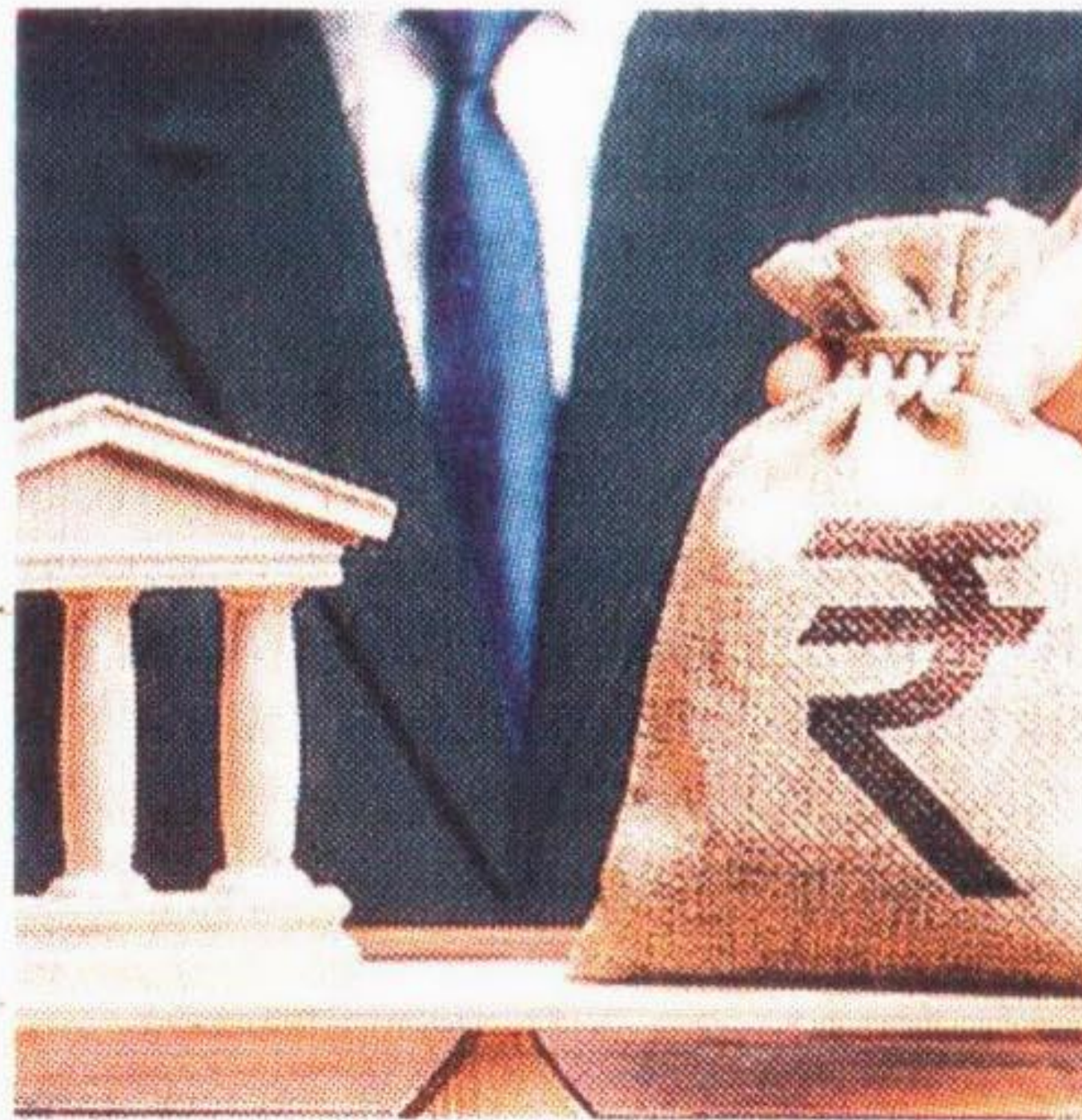
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New Delhi: The Centre's fiscal deficit in the first quarter of this financial year rose to 17.9% of the annual target, compared with 8.4% a year before, on a spurt in expenditure, showed the official data released on Monday.

Both capital and revenue expenditures had faltered in the first quarter of the last fiscal due to the usual administrative slowdown around the general election. But the situation reversed this fiscal.

In absolute terms, the fiscal gap stood at ₹2.81 lakh crore until June, against ₹1.36 lakh crore a year before, showed the latest data.

Despite the latest increase, experts reckon the Centre's target of reining in its deficit at 4.4% of



gross domestic product in 2025-26 would be realised.

Between April and June, capital expenditure surged 52% from a year earlier to Rs 2.75 lakh crore and revenue spending rose 20% to Rs 9.47 lakh crore.

Net tax revenues, however,

dropped 2% from a year before to Rs 5.40 lakh crore, although non-tax revenues jumped 33% to ₹3.73 lakh crore in the wake of a record ₹2.69 lakh crore dividend transfer by the central bank.

In June, the Centre saw a fiscal deficit of Rs 2.68 lakh crore, against Rs 85,097 crore a year earlier, the latest data showed.

The sharp June deficit erased a fiscal surplus of Rs 1.73 lakh crore recorded until May this financial year that was driven by a record dividend transfer by the central bank.

“Tepid direct tax collections in June 2025 pulled down the performance of gross tax revenues in the month, although this was driven by an adverse base, even as devolution to states maintained a robust pace,” Icra chief economist Aditi Nayar said.