

# Centre may have overshoot debt-to-GDP ratio in FY26

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The central government's 2025-26 (FY26) debt-to-gross domestic product (GDP) ratio may have slipped to 57.85 per cent, far higher than 56.1 per cent estimated in the Budget, due to a lower-than-anticipated nominal GDP, according to the provisional estimates of national income released by the Ministry of Statistics and Programme Implementation (Mospil) on Friday.

The slippage has significantly steepened the Centre's debt consolidation trajectory of 50 per cent by FY31. This would require an aggressive reduction of nearly 8 percentage points in the next five years, around 2 percentage points more than what was expected earlier.

However, the government met its fiscal deficit target for FY26, after reducing total expenditure by about ₹60,000 crore. India's nominal GDP grew 8.9 per cent to ₹346.36 trillion in FY26, the provisional estimates showed.

In the Budget for FY27, which came before the GDP base-year revision, the government had given the Revised Estimates (RE) for fiscal deficit and debt level for FY26 based on the nominal GDP projection

## Fiscal maths (FY26)

Fiscal deficit (provisional) in ₹ trn	15.19
Nominal GDP (provisional estimate) in ₹ trn	346.36
Fiscal deficit as % of GDP	4.40
Estimated debt	200.35
Debt-to-GDP ratio (provisional) in %	57.85
Debt-to-GDP ratio (RE) in %	56.10

Source: Ministry of Statistics and Programme Implementation, Controller General of Accounts, India Budget

of ₹357.14 trillion in the First Advance Estimate.

## FY27 target

The downward revision in nominal GDP following the introduction of the new GDP series is also likely to have a cascading effect on the government's fiscal math for FY27, which relies on a nominal GDP estimate of ₹393 trillion. India's nominal GDP needs to grow 13.5 per cent in FY27 to reach ₹393 trillion.

Economists estimate the nominal GDP to grow by over 12 per cent in FY27. "Nominal GDP expansion is set to improve to above 12 per cent in FY27 from 8.9 per cent in FY26, on the back of unpalatably higher inflation," Icrs Chief Economist Aditi Nayar said.

The nominal GDP-linked complication also comes in a year when the government's

finances are already strained with the possibility of expenditure overshoot as well as revenue shortfall amid the West Asia conflict. Data from the Controller General of Accounts showed the government's fiscal deficit expanded to ₹3.62 trillion in April, at 21.4 per cent of the target. The government's deficit was 11.9 per cent of the target in April 2025. While receipts fell nearly 24 per cent, expenditure jumped 23 per cent in April.

The government has already said its fertiliser subsidy may overshoot by more than ₹1 trillion in FY27 due to the West Asia crisis.

The Centre's recent cut in excise duty on petrol and diesel is expected to weigh on indirect tax collections in FY27, while possible slower growth may constrain direct tax buoyancy.