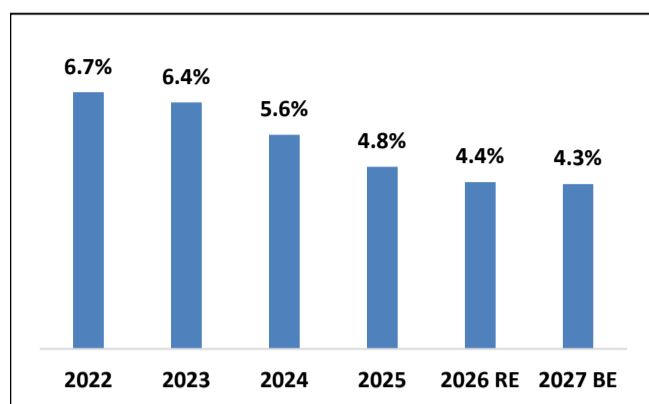
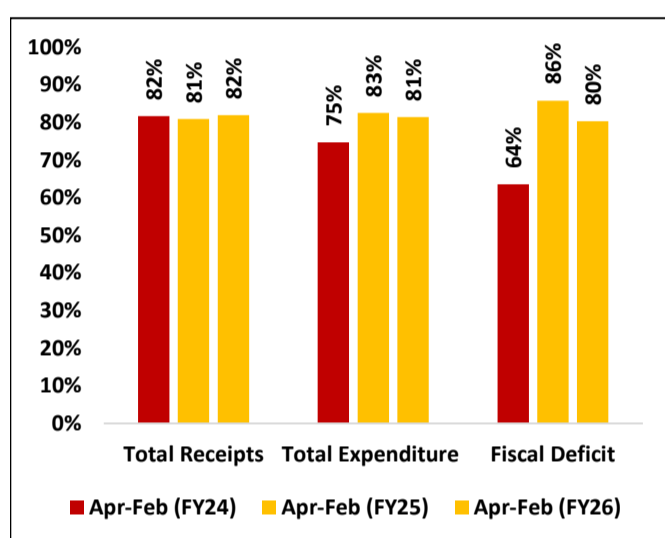


Fig.1. Trends in Fiscal Deficit:



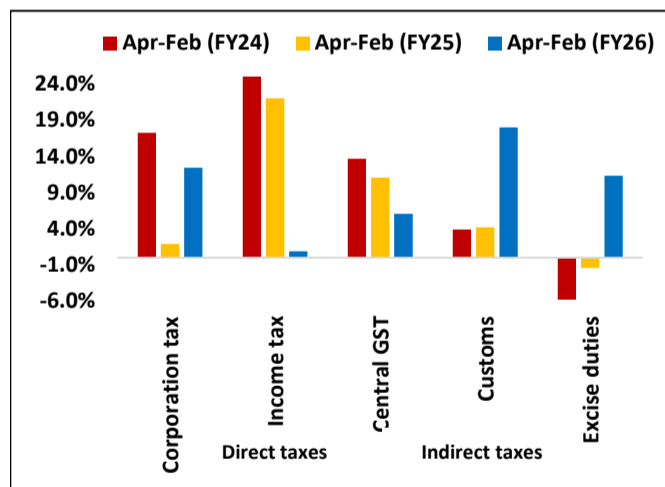
Source: Budget documents, CEIC & UBI Research

Fig.2. April-Feb FY26 Fiscal deficit at 80% of RE as receipts growth outpace expenditure growth y/y during the period; (% of revised estimates)



Source: Budget documents, CEIC & UBI Research

Fig.3. Income Tax revenue growth almost flattish when compared to previous year trends; (% y/y)



Source: CEIC, CGA, Budget documents & UBI Research

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Fiscal data Feb'26: Receipts continue to take lead to contain fiscal deficit at 80% of RE in Apr-Feb'FY26 even as capex jumps for the month

Comparatively higher revenue growth than in expenditure, fiscal deficit at 80% of RE (Apr-Feb FY26)

India's fiscal deficit for Apr-Feb FY26 stood at Rs. 12.53 lakh crore (80% of Revised Estimates), significantly lower than Rs. 13.47 lakh crore (83.1% of RE) during the same period last year. The Union Budget FY2026-27 has continued the fiscal consolidation path, targeting a reduction in the fiscal deficit to 4.3% of GDP from 4.4% in FY2026 (RE) that however seems difficult to maintain looking at the new challenges created by the ongoing US Iran war in terms of shooting oil import bill and falling rupee.

Expenditure Trends: Capex-driven growth with restrained revenue spending

The government has revised its capital expenditure (capex) target downward to Rs. 10.96 lakh crore from Rs. 11.21 lakh crore (BE), resulting in capex reaching 85% of RE during Apr-Feb FY26. Total expenditure grew modestly by 4% year-on-year to Rs. 40.45 lakh crore (81% of RE), largely due to subdued revenue expenditure. February spending was also up by 9.7% year-on-year. With Rs. 9.20 lakh crore still pending to meet the revised annual target of Rs.49.65 lakh crore and just one month to go, expenditure is expected to undershoot the RE for FY25-26.

- **Revenue expenditure** remained largely flat at Rs. 31.15 lakh crore (vs Rs. 30.81 lakh crore last year), with a 0.4% decline in February.
- **Capital expenditure** grew 14.5% year-on-year to Rs. 9.29 lakh crore (85% of RE), registering a staggering 60% spike in February.
- **Capex share** in total expenditure increased to 23% (from 21% last year).
- **Subsidy expenditure** rose 7% to Rs. 3.90 lakh crore, driven by a 21% increase in fertilizer subsidies. Going forward, the subsidy burden may increase further in view of the prolonged US Iran war and resultant hike in oil import bill.

Receipts: Strong non-tax revenues offset moderate tax growth

Revenue receipts showed satisfactory growth, rising 8.7% during Apr-Feb FY26, supported by strong growth in non-debt capital receipts. However, for the month of Feb, revenue receipts were down heavily owing to fall in net tax revenue.

- **Corporate tax** grew 12.4% in Apr-Feb period to Rs. 8.63 lakh crore though for the month of Feb, the collections were down by 96%.
- **Income tax** collections fell in Feb by about 45% limiting the growth in YTD collections to just 0.9% (Rs. 10 lakh crore).
- **GST collections** increased 6.1% to Rs. 8.8 lakh crore (84% of RE), with similar February growth at 5.9%.
- **Customs duties** surged 18%, reaching 93% of RE.
- **Non-tax revenue** grew 18% to Rs. 5.81 lakh crore (87% of RE), driven by a higher-than-budgeted RBI dividend of ₹2.6 lakh crore and strong PSU contributions.
- **Non-debt capital receipts** spiked (75% growth) to Rs. 0.66 lakh crore and exceeded the target of Rs. 0.64 lakh crore.

Fiscal Financing: Borrowing program remains stable

- **Market borrowings** stood at Rs. 9.62 lakh crore and remained the primary source of fiscal financing. For H1FY26-27, the government plans to borrow Rs. 8.20 lakh crore in April-September, accounting for 50.97% of the FY27 budgeted target of Rs.16.09 lakh crore.
- **Small savings** rose 19% to Rs. 4.13 lakh crore, reflecting strong retail participation.
- **Public account inflows** declined to Rs. 0.46 lakh crore compared to Rs. 1.92 lakh crore last year.
- **Cash balance** reduced by Rs. 40,644 crore in February to Rs. 2.30 lakh crore, with cumulative FY26 build-up at Rs. 1.52 lakh crore.

Overall Assessment

Fiscal performance for FY25-26 remains on track, supported by strong revenue growth and controlled expenditure. However, the revision of the GDP base year to 2022-23 has lowered nominal GDP estimates for FY26 to ₹347 lakh crore (about ₹10 lakh crore lower than earlier estimates). This may increase the fiscal deficit ratio by 10-15 basis points above the budgeted 4.4%, assuming RE targets are met. On the other hand, the ongoing war has increased the uncertainties on this front as the govt has already taken the first hit by slashing excise duties on petrol and diesel this month which can increase the fiscal burden by about Rs.1.6 lakh crore (0.4% of GDP). The focus will now be on higher mobilisation of non-tax revenues.

Fig 4. Fiscal deficit in Apr-Feb' FY26 at 80% of RE versus 83% in corresponding period in FY25

Fiscal Numbers (Rs Lakh Cr)								
Parameter	Feb'25	Apr-Feb (FY25)	Feb'26	Apr-Feb (FY26)	Feb'26 (% YoY)	Apr-Feb (FY26) (% YoY)	FY26 (RE)	% of Actuals to FY26 RE
Revenue Receipts	1.38	25.09	0.75	27.26	-45.7%	8.7%	33.42	82%
Net Tax Revenue	1.12	20.16	0.51	21.45	-54.5%	6.4%	26.75	80%
Non Tax Revenue	0.26	4.93	0.24	5.81	-7.1%	17.8%	6.68	87%
Non Debt capital receipts	0.08	0.37	0.08	0.66	3.4%	75.4%	0.64	102%
Total Receipts	1.46	25.46	0.83	27.92	-42.9%	9.6%	34.06	82%
Revenue expenditure	2.69	30.81	2.67	31.15	-0.4%	1.1%	38.69	81%
Capex	0.55	8.12	0.87	9.29	59.6%	14.5%	10.96	85%
Total Expenditure	3.23	38.93	3.55	40.45	9.7%	3.9%	49.65	81%
Fiscal Deficit / Surplus	-1.77	-13.47	-2.71	-12.53	53.0%	-7.0%	-15.58	80%

Fig. 5. Tax Revenue growth in Apr-Feb' FY26 up by 6.7% (Rs. lakh crore)

Tax components	Feb'25	Apr-Feb (FY25)	Feb'26	Feb'26 (% YoY)	Apr-Feb (FY26)	YoY growth %	(FY26) RE	% of Actuals to (FY26) RE
Corporation tax	0.16	7.67	0.01	-96.2%	8.63	12.4%	11.1	77.8%
Income tax	0.79	9.91	0.43	-45.2%	10.00	0.9%	13.1	76.2%
Central GST	0.78	8.30	0.82	5.9%	8.80	6.1%	10.5	84.1%
Customs	0.14	2.05	0.22	50.9%	2.41	18.0%	2.6	93.5%
Excise duties	0.24	2.50	0.30	23.4%	2.79	11.3%	3.4	82.8%
Others*	0.09	1.61	0.00	-99.4%	1.56	-2.7%	0.15	1011.4%
Gross Tax Revenue	2.20	32.04	1.78	-19.2%	34.20	6.7%	40.8	83.9%

*Others includes other taxes like STT & compensation cess etc.

Fig. 6. Market borrowings continue to be the main driver of fiscal financing in Apr-Feb'FY26 (Rs. lakh crore)

Parameter	Apr-Feb (FY23)	Apr-Feb (FY24)	Apr-Feb (FY25)	Apr-Feb (FY26)
External Financing	0.28	0.37	0.23	0.07
Domestic Financing	14.26	14.65	13.24	12.45
Market borrowings	11.74	12.77	8.12	9.62
Securities against small savings	3.17	4.02	3.47	4.13
State provident funds	-0.08	-0.07	-0.09	-0.24
Special deposits	-0.29	-0.22	-0.48	-0.03
Public account	0.53	1.15	1.92	0.46
Cash Balance drawdown	-0.86	-2.55	0.24	-1.52
Cash Balance	0.05	0.05	0.04	0.04
Ways & means advances	0.00	-0.49	0.00	0.00
Total Financing	14.54	15.01	13.47	12.53

Source: CGA, Budget documents, CEIC, UBI Research

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