

Combined fiscal deficit at 55.5% of BEs in 9MFY24

Government investments rise 35.5% YoY during the period

- Based on the provisional data of 21 states, total receipts of all the states grew 7.9% YoY in 3QFY24, following a 2.5% YoY growth in 2Q. Simultaneously, their total spending rose 9.5% YoY in 3QFY24, following a 12.7% YoY growth each in 2Q and 1QFY24. As a result, the states' aggregate fiscal deficit stood at INR1.6t in 3QFY24, down from INR3.0t in 2QFY24. As a percentage of GDP, it declined to 2.2% in 3QFY24 from 4.2%/2.0% in 2QFY24/3QFY23.
- Total receipts, thus, grew 8.2% YoY in 9MFY24 (vs. +21% YoY in 9MFY23) and stood at 60.7% of budget estimates (BEs) in 9MFY24, down from 62.9% in 9MFY23. At the same time, total spending grew 11.6% YoY in 9MFY24 (vs. +13.0% YoY in 9MFY23) and stood at 59.9% of BEs (same as in 9MFY23). Revenue spending growth moderated to 9.1% YoY in 9MFY24, while capex (capital spending less loans & advances, L&As) rose 31.5% YoY and stood at 51.5% of BEs, the highest in at least a decade. Thus, states' aggregate fiscal deficit was INR5.4t (2.5% of GDP) or 56.5% of BEs in 9MFY24, compared to INR4.1t (2.0% of GDP) or 46.1% of BEs in 9MFY23.
- An analysis of individual states suggests that only one state – JH – posted a fiscal surplus in 9MFY24, compared to three states (JH, MH, & OD) in the same period last year. In contrast, AP and BH's 9MFY24 fiscal deficits exceeded their full-year targets. AP's fiscal deficit was 128% of full-year BEs in 9MFY24 (higher than 114% of BEs in 9MFY23), while it was double of BEs for BH (vs. 231% in 9MFY23). Besides these two states, three other states (AS, PB, and KL) witnessed fiscal deficits of more than 70% of BEs in 9MFY24.
- Within the states' total receipts, while states' own receipts (taxes and non-taxes) have increased 10.9% YoY in 3QFY24 (+12.1% in 9MFY24), the transfers from the Center (devolution + grants) were up by just 4% YoY (+2.8% in 9MFY24). The latter was led by a 31.2% YoY contraction in 'grants from the Center' in 3QFY24, marking its third successive fall. The states' own taxes, in contrast, grew 7.5% YoY in 3QFY24 (+10.2% YoY in 9MFY24).
- A combined analysis of the central and state governments confirms that while total receipts rose 10.8% YoY in 3QFY24 (+14.4% in 9MFY24), total spending grew by just 4.2% YoY in 3QFY24 (+12.9% in 9MFY24). The combined capex (ex-L&As) surged 36.6% YoY in 3QFY24 (+35.5% in 9MFY24), with just 1.5% YoY growth in revenue spending in 3Q (+8.8% in 9M).
- In other words, total fiscal receipts were 70.3% of BEs in 9MFY24 (down from 73.4% in 9MFY23), while total spending was 65.8% of BEs (vs. 67.4% in 9MFY23). Consequently, the combined fiscal deficit was 55.5% of BEs in 9MFY24, higher than 55% in 9MFY23, but much lower than the 85% target achieved over FY17-FY20. Assuming an 8.2% YoY nominal GDP growth in 3QFY24, our calculations suggest that the GG fiscal deficit stood at 7.0% of GDP in 9MFY24, same as in 9MFY23.

Total receipts of all the states grew 7.9% YoY in 3QFY24, while their total spending grew 9.5% YoY

States' fiscal deficit was 56.5% of BEs in 9MFY24: Based on the provisional data of 21 states, total receipts of all the states grew 7.9% YoY in 3QFY24, following a 2.5% YoY growth in 2Q. It implies that the states' total receipts grew 8.2% YoY in 9MFY24 (vs. +21% in 9MFY23), achieving 60.7% of BEs vs. 62.9% of BEs a year ago (*Exhibit 1*).

Simultaneously, their total spending grew 9.5% YoY in 3QFY24, following a 12.7% YoY growth in 2Q. It implies that the states' total spending grew 11.6% YoY in 9MFY24 (vs. +12.9% in 9MFY23), achieving 59.9% of BEs, compared to 59.8% of BEs in 9MFY23 (*Exhibit 2*).

Data for all states is based on 21 major states, for which monthly data up to Dec'23 is available. These states account for 90-91% of all states' Budget. The states/UT covered in this report are Andhra Pradesh (AP), Assam (AS), Bihar (BH), Chhattisgarh (CT), Gujarat (GJ), Haryana (HR), Himachal Pradesh (HP), Jammu & Kashmir (JK), Jharkhand (JH), Karnataka (KA), Kerala (KL), Madhya Pradesh (MP), Maharashtra (MH), Odisha (OD), Punjab (PB), Rajasthan (RJ), Tamil Nadu (TN), Telangana (TS), Uttarakhand (UK), Uttar Pradesh (UP) and West Bengal (WB).

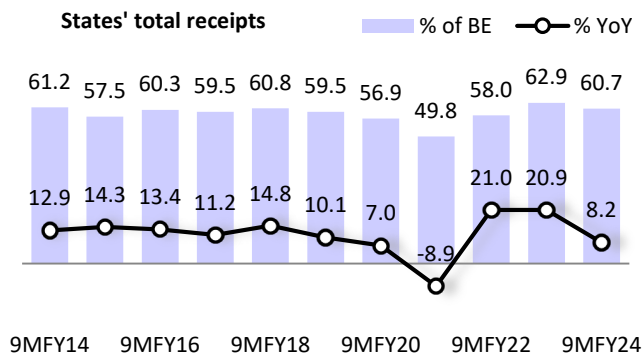
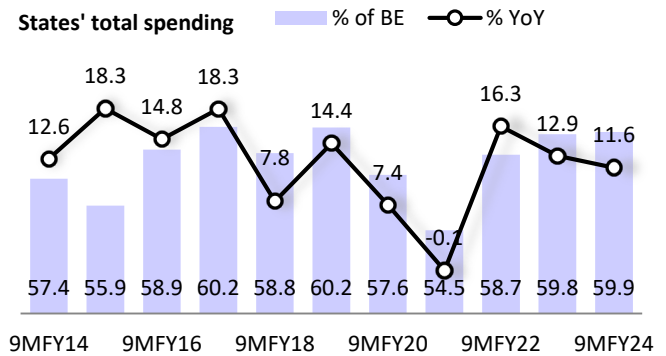
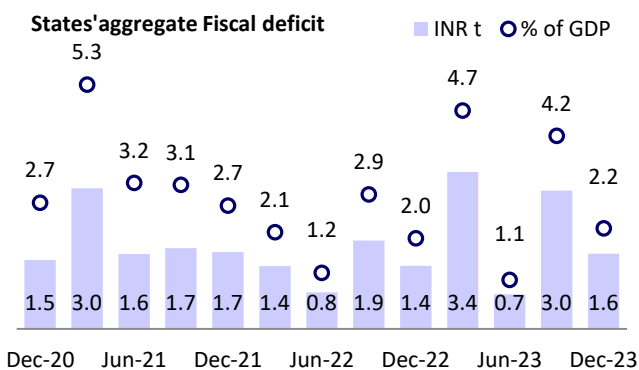
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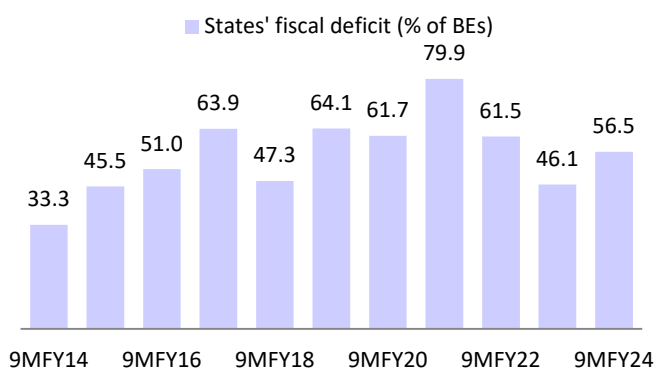
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As a result, the states' aggregate fiscal deficit stood at INR1.6t in 3QFY24, down from INR3.0t in 2QFY24. As a percentage of GDP, it declined to 2.2% in 3QFY24 from 4.2%/2.0% in 2QFY24/3QFY23 (*Exhibit 3*). In other words, their aggregate fiscal deficit was INR5.4t (or 2.5% of GDP) in 9MFY24, compared to INR4.1t (or 2.0% of GDP) in 9MFY23. States have achieved 56.5% of their full-year target in 9MFY24, much higher than 46.1% of BEs in 9MFY23 (*Exhibit 4*).

Exhibit 1: Total receipts stood at 60.7% of BEs in 9MFY24...**Exhibit 2: ...and total spending was 59.9% of BEs****Exhibit 3: States' aggregate fiscal deficit was 2.2% of GDP in 3QFY24...**

* Assuming nominal GDP growth of 8.2% YoY in 3QFY24

Exhibit 4: ...and it stood at 56.5% of BEs in 9MFY24, much higher than 46.1% of BEs in 9MFY23, but not unusual

Source: Comptroller and Auditor General (CAG), CEIC, MOFSL

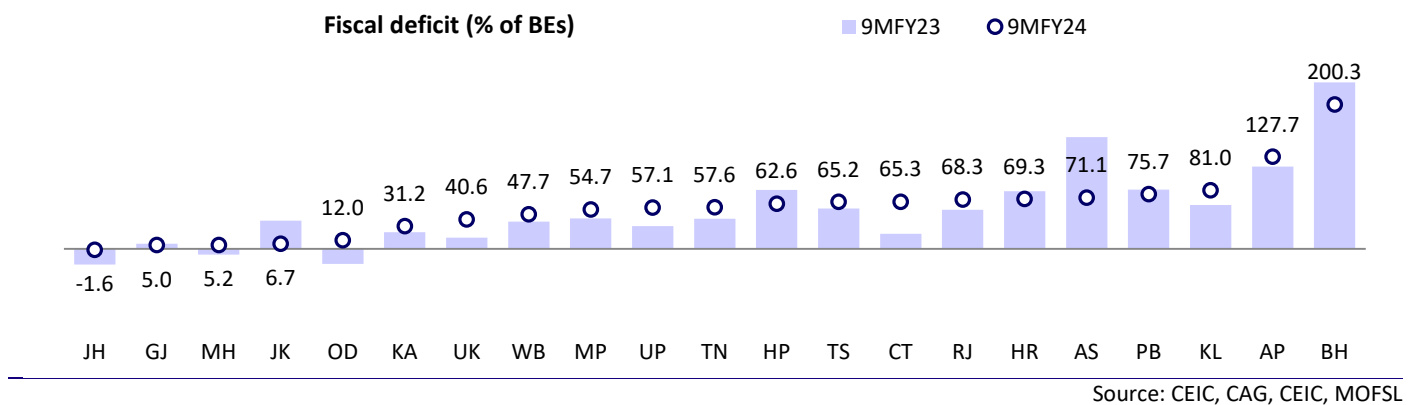
Only one state (JH) posted a fiscal surplus in 9MFY24, compared to three in 9MFY23:

An analysis of individual states suggests that only one state – JH – posted a fiscal surplus in 9MFY24, compared to three states (JH, MH, & OD) in the same period last year (*Exhibit 5*).

Only one state – JH – posted a fiscal surplus in 9MFY24, while the fiscal deficit of two states – AP and BH – exceeded the full-year target

In contrast, AP and BH's 9MFY24 fiscal deficits exceeded their full-year targets. AP's fiscal deficit was 128% of full-year BEs in 9MFY24 (higher than 114% of BEs in 9MFY23), while it was as high as 200% of BEs for BH in 9M (vs. 231% in 9MFY23). Besides these two states, three other states (AS, PB, and KL) witnessed a fiscal deficit of more than 70% of BEs in 9MFY24.

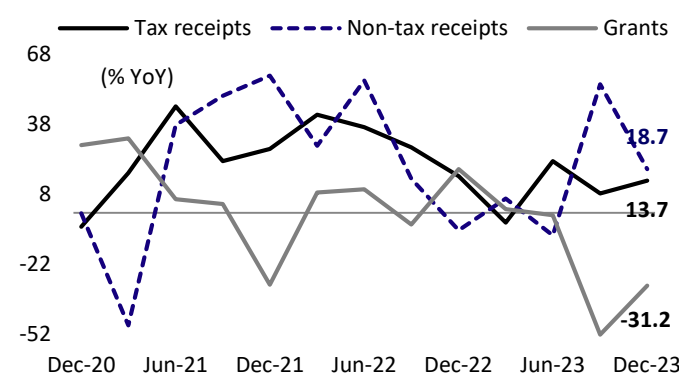
Notably, the fiscal deficit in MH – the largest Indian state – was only 5.2% of BEs in 9MFY24, negligible but better than a surplus in the corresponding period last year.

Exhibit 5: Comparison of provisional fiscal deficits of states in 9MFY24 and 9MFY23 (% of BEs)

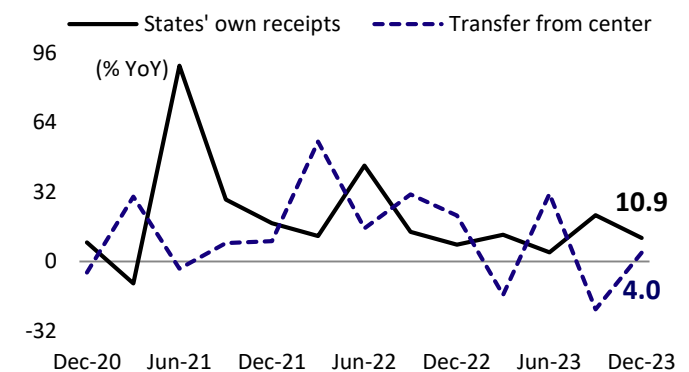
States' total receipts grew 8.2% YoY in 9MFY24, entirely driven by their own receipts

Tax and non-tax receipts remained strong; grants-in-aid contracted sharply: Total tax receipts of all states grew 13.7% YoY in 3QFY24, implying a growth of 14.3% YoY in 9MFY24 vs. a growth of 15.6%/25.5% in 3QFY23/9MFY23. At the same time, the state's non-tax receipts surged 18.7% in 3QFY24 vs. a growth of 54.9% in 2QFY24 and a decline of 7.5% YoY in 3QFY23. Conversely, grants-in-aid contracted 31.2% YoY in 3QFY24 vs. -52.2% YoY in 2QFY24, marking its third successive decline (*Exhibit 6*).

A re-classification of these sources confirms that the Center's transfer to states (devolution + grants) increased 4.0% YoY in 3QFY24, implying a growth of 2.8% YoY in 9MFY24 vs. a growth of 21.1%/22.5% in 3QFY23/9MFY23. States' own receipts, on the other hand, rose 10.9% YoY in 3QFY24, implying a growth of 12.1% YoY in 9MFY24 vs. a growth of 7.7%/19.8% in 3QFY23/9MFY23 (*Exhibit 7*). Thus, states' total receipts grew 8.2% YoY in 9MFY24, largely driven by their own receipts.

Exhibit 6: While tax and non-tax receipts grew, grants-in-aid contracted sharply in FY24

Estimates for all states are based on data of 21 states

Exhibit 7: States' own receipts grew decently, though Center's transfers to states remained weak in 3QFY24

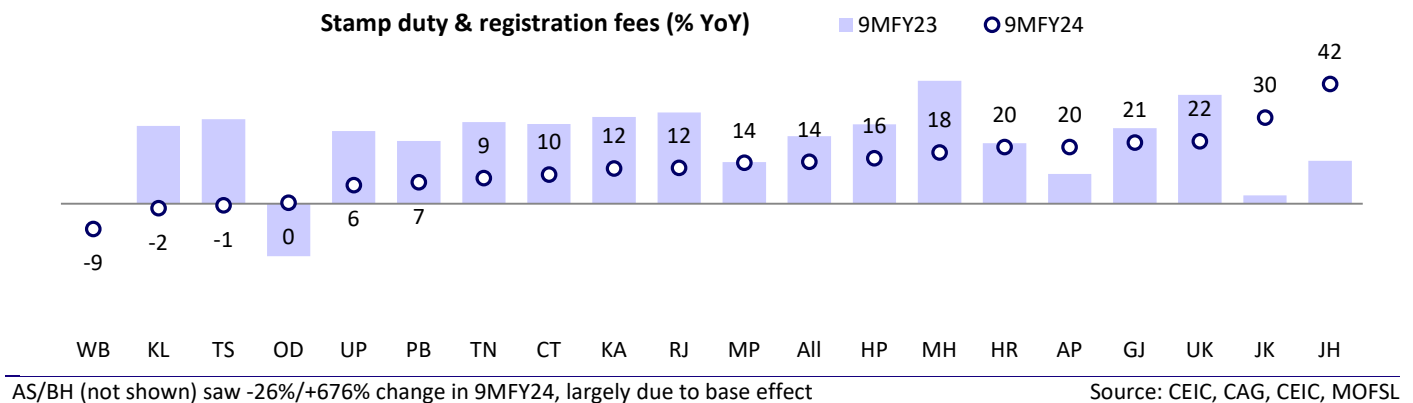
Source: CEIC, CAG, MOFSL

Stamp duty and registration charges grew in double digits in 1QFY24: One of the major components of the states' receipts is stamp duties and registration fees collected by states. An analysis of the monthly data available for 21 states suggests that together, these charges grew 11.7% YoY in 3QFY24 vs. 17.8%/4.9% YoY growth in 2QFY24/3QFY23. During 9MFY24, the states' stamp duty & registration fees were up 14.5% YoY, following a 23.4% growth in 9MFY23.

Stamp duty & registration fees of 21 states grew 11.7% YoY in 3QFY24 and 14.5% in 9MFY24.

Of the 21 states, four states – AS, WB, KL, and TS – witnessed a contraction in 9MFY24 (*Exhibit 8*), and only four other states – AP, JK, JH, and BH – posted higher growth YoY in 9MFY24 (BH is not shown in *Exhibit 8* because it jumped 676% YoY in 9MFY24, following a decline of 82% YoY in 9MFY23).

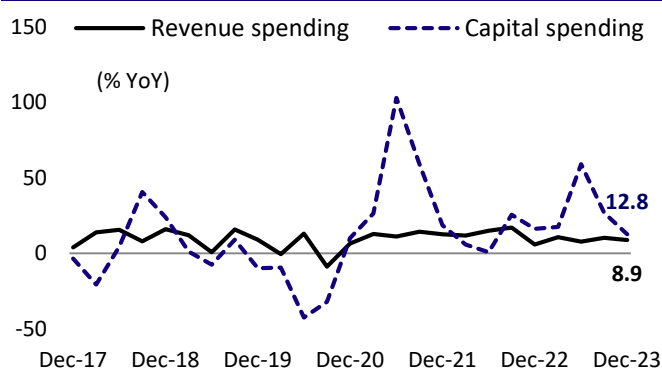
Exhibit 8: Stamp duty and registration charges grew 14.5% YoY in 9MFY24



States' capex was up 31.5% YoY in 9MFY24, following 12.1% growth in 9MFY23 and stood at 51.5% of BEs, the highest in at least a decade.

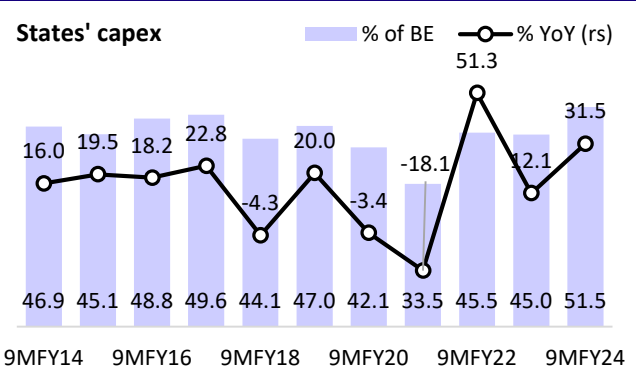
Capital spending outpaced revenue spending in 3QFY24: Within states' spending, the growth in capital spending outpaced revenue spending for the sixth consecutive quarter in 3QFY24. Revenue spending grew 8.9% YoY in 3QFY24 vs. 6% growth in the same quarter last year, while capital spending (including L&As) jumped 12.8% YoY, following 16.4% growth in 3QFY23 (*Exhibit 9*). Excluding L&As, capex (or capital outlays) of all states grew 15.9% YoY in 3QFY24, compared to the growth of 14.0%/33.8% YoY in 3QFY23/2QFY24. Overall, the states' capex was up 31.5% YoY in 9MFY24, following a 12.1% growth in 9MFY23 and stood at 51.5% of BEs in 9MFY24, the highest in at least a decade (*Exhibit 10*).

Exhibit 9: Revenue spending of all states grew 8.9% YoY in 3QFY24, while capital spending was up 12.8%



Estimates for all states are based on data of 21 states

Exhibit 10: States' capex* was 51.5% of BEs in 9MFY24, the highest in at least a decade

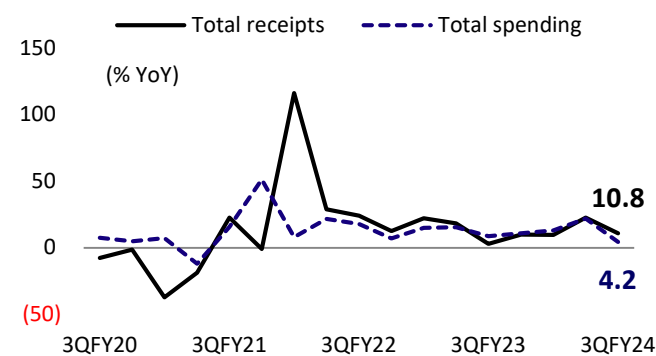
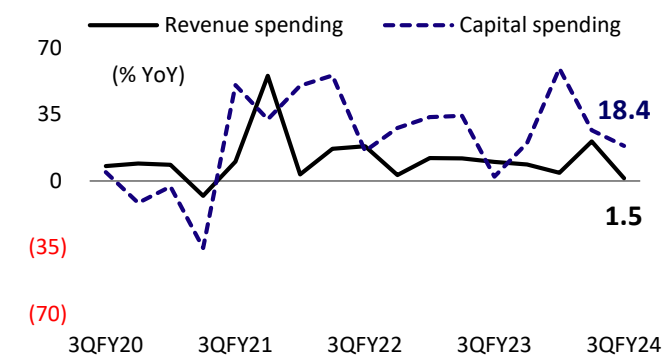


* Capital spending less L&As

Source: CEIC, CAG, MOFSL

Total receipts rose 10.8% YoY (vs. +22.6% in 2QFY24), while total spending grew slowly by 4.2% YoY in 3QFY24 (vs. +21.9%)

Combined capital spending continued to grow strongly in 3QFY24: A combined analysis of the central and state governments confirms that total receipts rose 10.8% YoY (vs. 22.6% in 2QFY24) and total spending grew slowly by 4.2% in 3QFY24 (vs. 21.9%). In 9MFY24, total receipts grew 14.4%, while the total spending growth was 12.9%. As % of BEs, total receipts were 70.3% in 9MFY24, lower than 73.4% in 9MFY23. At the same time, total spending was 65.8% of BEs in 9MFY24, lower than 67.4% in 9MFY23.

Exhibit 11: Combined receipts grew 10.8% YoY, while total spending grew just 4.2% YoY in 3QFY24**Exhibit 12: Capital spending jumped 18.4% YoY in 3QFY24, with only 1.5% growth in revenue spending**

Source: CEIC, CAG, Controller General of Accounts (CGA), MOFSL

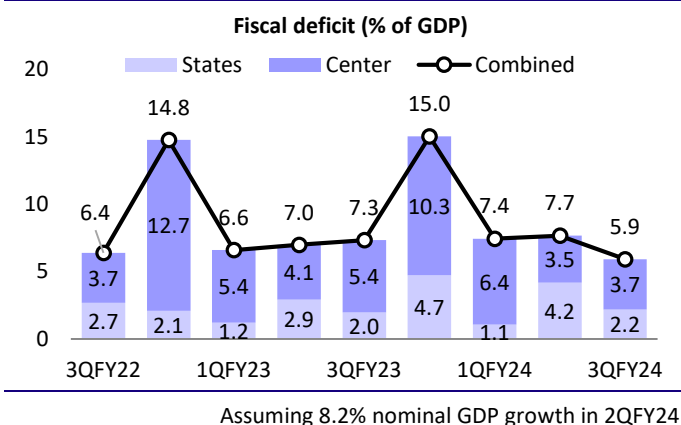
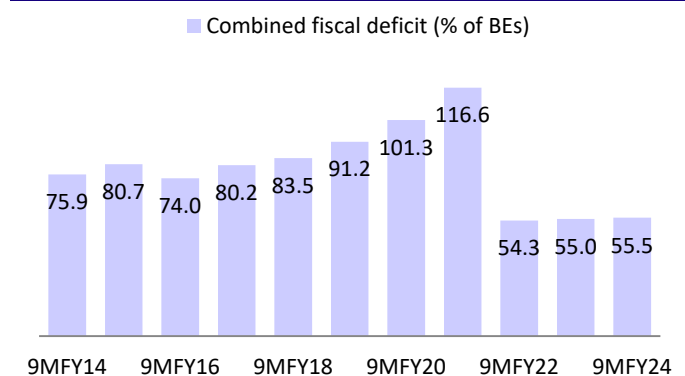
The combined capex (excluding L&As) grew 35.5% YoY and was 60.5% of BEs in 9MFY24, compared to 55.8% of BEs in 9MFY23.

Further, revenue spending grew at a 13-quarter low of 1.5% YoY in 3QFY24, while combined capital spending surged 18.4% YoY (*Exhibit 12*). This was the 12th double-digit growth in capital spending in the past 13 quarters. Capital spending, thus, was 59.2% of BEs in 9MFY24, much higher than the corresponding period in the previous years. The combined capex (excluding L&As) grew 35.5% YoY in 9MFY24 (following +15.1% YoY in 9MFY23) and was 60.5% of BEs in 9MFY24, compared to 55.8% of BEs in 9MFY23.

Our calculations suggest that the GG fiscal deficit stood at 5.9% of GDP in 3QFY24 vs. 7.3%/7.7% in 3QFY23/2QFY24

Combined fiscal deficit was 7.0% of GDP and 55.5% of BEs in 9MFY24: Assuming 8.2% nominal GDP growth in 3QFY24, our calculations suggest that the GG fiscal deficit was at 5.9% of GDP in 3QFY24 vs. 7.3%/7.7% in 3QFY23/2QFY24 (*Exhibit 13*). While the states' aggregate fiscal deficit in 3QFY24 stood at 2.2% of GDP (vs. 2.0%/4.2% of GDP in 3QFY23/2QFY24), the Center's stood at 3.7% of GDP (vs. 5.4%/3.5% of GDP in 3QFY23/2QFY24).

As a % of BEs, states' aggregate fiscal deficit was just 56.5% in 9MFY24, while it was 55.0% for the Center, implying a combined fiscal deficit of 55.5% of BEs in 9MFY24, higher than that in the past two years, but much lower than 85% achieved during the pre-Covid period (*Exhibit 14*).

Exhibit 13: Combined fiscal deficit was 5.9% of GDP in 3QFY24, primarily led by the Center**Exhibit 14: Combined fiscal deficit of the government stood at 55.5% of BEs in 9MFY24**

Source: CEIC, CAG, CGA, MOSPI, MOFSL

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