Economic Intelligence Cell

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Macro Insights

01st September 2026

Fiscal deficit stands at 26.8% of FY'27 target as of July 2026 as against 29.9% a year ago

The government's fiscal deficit in July 2026 stood at ₹4.55 lakh crore amounting to 26.8% of the Budget Estimates (BE) vis-à-vis ₹4.68 lakh crore i.e. 29.9% during the same period last year.

Highlights:

- Govt.'s Total Expenditure stood ₹17.62 lakh crore reaching 32.9% of the BE upto July 2026. This compares to ₹15.64 lakh crore recorded in the same period last year i.e. 30.9% of estimate.
- Capital Expenditure amounting to ₹4.51 lakh crore upto July 2026 reached 36.9% of the BE, compared to 30.9% during last year.
- Total Revenue receipts of ₹12.68 lakh crore accounted for 35.9% of the BE, up when compared with 31.1% during the same period last year.

Government of India Accounts (upto July 2026) **(₹ Lakh Crore)**

	Budget Estimates 2026-2027	Actuals upto July 2026	% of Actuals to Budget Estimates	
			Current	Corresponding Period Previous Year
Revenue Receipts	35.33	12.68	35.9%	31.1%
Net Tax Revenue	**28.67**	**8.45**	**29.5%**	**23.3%**
Non-Tax Revenue	6.66	4.23	63.5%	69.2%
Total Receipts	36.52	13.07	35.8%	31.3%
Revenue Expenditure	41.25	13.11	31.8%	30.8%
Of which Interest Payments	14.04	4.27	30.4%	35.0%
Capital Expenditure	**12.22**	**4.51**	**36.9%**	**30.9%**
Total Expenditure	53.47	17.62	32.9%	30.9%
Fiscal Deficit	**16.96**	**4.55**	**26.8%**	**29.9%**
Revenue Deficit	5.92	0.44	7.4%	28.9%
Primary Deficit	2.92	0.29	9.8%	7.4%

Source: CGA

- For the first 4 months of FY2027, revenue receipts had grown by 18.97% year-on-year. The government's net tax revenue increased by 27.61% year-on-year in April to July period of FY 2027.

Insights into Major Tax Collection upto July 2026 (₹ Lakh Crore)

Parameters	July'25 (4M)	July'26 (4M)	YoY%
Gross Tax Revenue	**10.93**	**12.18**	**11.45%**
Corporate Tax	1.99	2.40	20.83%
Income Tax	3.55	4.42	24.30%
Customs	0.61	0.84	38.19%
Net GST Revenue	6.61	7.21	9.19%

Source: CGA & GST

Major Subsidies (Amt in Rs. Cr)

	July'25 (4M)	July'26 (4M)	YoY%
Food	54022	66610	23.30%
Nutrient Based Fertilizers	17237	20457	18.68%
Urea	41927	66059	57.56%
Petroleum	406	388	-4.43%
Total Major Subsidies	113592	153513	35.14%

Source: CGA

Views & Outlook:

- Total revenue receipts reached ₹12.68 lakh crore (35.9% of BE) as of July 2026, supported by healthy domestic economic activity. Direct tax collections have been a primary contributor: personal income tax collections reached ₹4.42 lakh crore (a 24.30% year-on-year growth over ₹3.55 lakh crore in July 2025), while corporate tax collections increased by 20.83% to ₹2.40 lakh crore. Customs revenue expanded by 38.19% to ₹0.84 lakh crore, and Net GST revenue maintained steady growth of 9.19% to reach ₹7.21 lakh crore. Non-tax revenue remained robust at ₹4.23 lakh crore (63.5% of BE), underpinned by the RBI surplus transfer to the central government earlier in the year.

- The composition of government spending indicates a sustained emphasis on asset creation. Capital expenditure reached ₹4.51 lakh crore (36.9% of BE), growing faster than the 30.9% pace recorded during the same period last year. Revenue expenditure remained contained at ₹13.11 lakh crore (31.8% of BE), helping compress the revenue deficit to ₹0.44 Lakh Crore (7.4% of BE) from 28.9% of BE a year ago. Consequently, the cumulative April–July fiscal deficit narrowed to 26.8% of the full-year target, creating sufficient fiscal headroom for the second half of the year.
- Pressure on the expenditure side has emerged primarily from subsidies. Total major subsidies rose by 35.14% year-on-year to ₹1.54 lakh crore during April–July 2026. This was driven by a 57.56% surge in urea subsidy outlays (₹66,059 crore) and a 23.30% increase in food subsidies (₹66,610 crore). Higher crude oil prices may keep the import cost and subsidy allocation elevated in the coming quarters. However, moderation in West Asia crisis may keep crude oil price under control, resulting in lower subsidy outgo.
- External buffers were adequately supported by Foreign Exchange Reserves ($729.33 billion for the week ending August 21, 2026) which got major thrust from FCNR Deposits (RBI had said that FCNR (B) deposits of $65.4 billion had come in as of August 21 since the window opened in June'26) and Foreign Investment Inflows (FIIs) that helped manage foreign exchange volatility. Government bond yield stayed stable during the first four months of the current financial year.
- Sustained tax revenue growth and non-tax receipts will provide a buffer against potential subsidy overshoots in the second half of the year. Prudent control over non-developmental revenue expenditure will continue to sustain the momentum in public capital investments while adhering to the medium-term fiscal consolidation trajectory.

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For any feedback or valuable suggestions: *Reach us at* ***eicsmead@pnb.bank.in***