

## Combined fiscal deficit at 56.5% of BEs in 9MFY25 – highest in four years

### Fiscal spending up 9% YoY in 9MFY25 with lower capex

- Based on the provisional data of 20 states, total receipts of all the states grew 12% YoY in 3QFY25, slower than 15.8% growth in 2QFY25 but higher than 7.2% growth in 3QFY24. It implies that the states' total receipts grew 8.6% YoY in 9MFY25 (vs. +7.7% in 9MFY24), achieving 61.7% of BEs, similar to the corresponding period last year. On the other hand, their total spending grew at a nine-quarter high pace of 14.3% YoY in 3QFY25, following 9.5% YoY growth in 2Q and 10.4% YoY in 3QFY24. It implies that the states' total spending grew 10.1% YoY in 9MFY25 (vs. +11.9% in 9MFY24), achieving 60.7% of BEs, the highest in at least a decade.
- Consequently, the states' aggregate fiscal deficit stood at INR1.9t in 3QFY25, much lower than INR2.9t in 2QFY25 but higher than INR1.4t in 3QFY24. It, thus, stood at 2.2% of GDP in 3QFY25, up from 1.9% in 3QFY24. The aggregate fiscal deficit was INR5.8t (or 2.5% of GDP) in 9MFY25, compared to INR4.9t (or 2.3% of GDP) in 9MFY24. States have achieved 56.2% of their full-year target in 9MFY25, higher than 52.1% of BEs in 9MFY24 and the highest in three years.
- An analysis of individual states/UTs suggests that only two states (OD and JK) posted a fiscal deficit of 10% of BEs or less in 9MFY25 compared to four states (JH, GJ, MH and JK) in 9MFY24. Notably, AP's 9MFY25 fiscal deficit exceeded its full-year target – AP's fiscal deficit was 107.0% of full-year BEs in 9MFY25 (lower than 127.7% of BEs in 9MFY24). Besides AP, seven other states (TS, PB, KL, RJ, HP, HR, and UK) recorded a fiscal deficit of more than 70% of BEs in 9MFY25 compared to three (AS, PB, and KL) in 9MFY24.
- Within states' total receipts, their own receipts grew at a three-quarter high rate of 8.3% YoY in 3QFY25 (3.7%/10.0% in 2QFY25/3QFY24), implying a growth of 6.7% YoY in 9MFY25 vs. a growth of 10.9% in 9MFY24. At the same time, the Center's transfer to states (devolution + grants) increased 17.2% YoY in 3QFY25 (39.4%/3.5% in 2QFY25/3QFY24), implying a growth of 11.5% YoY in 9MFY25 vs. a growth of 3.2% in 9MFY24 (Exhibit 7). Thus, states' total receipts grew 8.6% YoY in 9MFY25, mainly driven by transfers from the Center.
- Within states' spending, growth in revenue spending outpaced growth in capital spending for the third consecutive quarter in 3QFY25. Revenue spending grew 16.4% YoY in 3QFY25, the highest growth in 21 quarters, compared to a growth of 9.5% in 3QFY24. Capital spending (including L&As) grew 3.3% YoY, following 15.2% growth in 3QFY24 (Exhibit 9). Excluding L&As, capex (or capital outlays) of all states grew 6.4% YoY in 3QFY25 (vs. 18.5% in 3QFY24) after declining for two straight quarters. Overall, the states' capex was down 3.2% YoY in 9MFY25, following a growth of 32.1% in 9MFY24, and stood at 47% of BEs in 9MFY25.
- A combined analysis of the central and state governments confirms that total receipts grew 9.1% YoY (11.5% in 9MFY25) and total spending grew at a five-quarter high pace of 17.6% in 3QFY25 (9.0% in 9MFY25). Further, revenue spending grew 15.7% YoY in 3QFY25 (highest in five quarters), following a growth of 1.9% in 3QFY24 (11.0% in 9MFY25). On the other hand, combined capital spending surged 26% YoY in 3QFY25, following a growth of 19.7% in 3QFY24 (0.5% in 9MFY25). The combined capex (excluding L&As) contracted 3.5% YoY in 9MFY25 vs. 35.8% YoY growth in 9MFY24.
- In other words, total receipts stood at 68.6% of BEs in 9MFY25, lower than 70.8% of BEs in 9MFY24. At the same time, total spending was at 65.4% of BEs in 9MFY25, similar to 65.7% of BEs in 9MFY24. Consequently, the combined fiscal deficit was at 56.5% of BEs in 9MFY25, the highest in last four years. Assuming 10% YoY nominal GDP growth in 3QFY25, our calculations suggest that the GG fiscal deficit stood at 6.3% of GDP in 9MFY25, lower than 6.8% of GDP in 9MFY24 and the average of 7.0% of GDP in the past decade (excluding FY21).

Data for all states is based on 20 major states, for which monthly data up to Dec'24 is available. These states account for 85-90% of all states' Budget. The states/UT covered in this report are Andhra Pradesh (AP), Assam (AS), 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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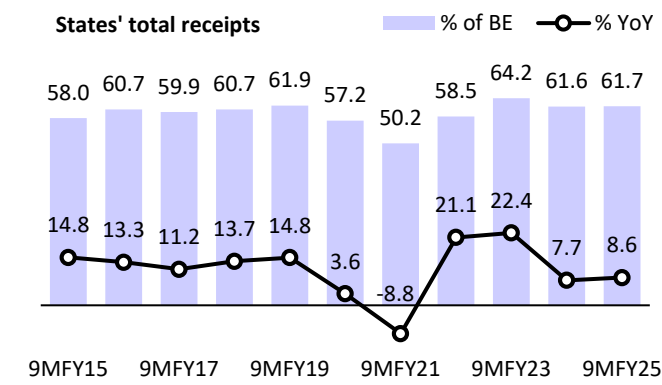
Total spending of all the states grew 14.3% YoY in 3QFY25, the highest in nine quarters.

**States' fiscal deficit was 56.2% of BEs in 9MFY25:** Based on the provisional data of 20 states, total receipts of all the states grew 12% YoY in 3QFY25, slower than 15.8% growth in 2QFY25 but higher than 7.2% growth in 3QFY24. It implies that the states' total receipts grew 8.6% YoY in 9MFY25 (vs. +7.7% in 9MFY24), achieving 61.7% of BEs, similar to the corresponding period last year (*Exhibit 1*).

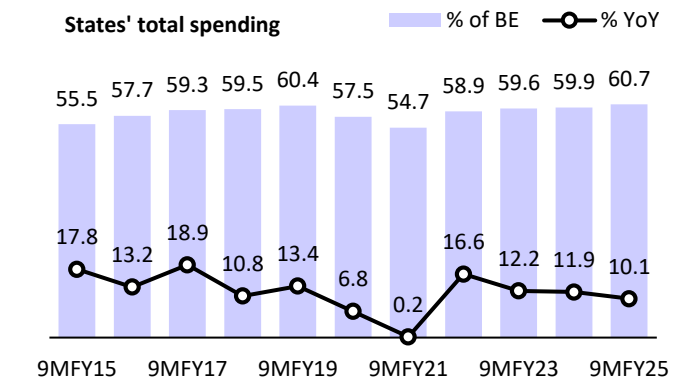
On the other hand, their total spending grew at a nine-quarter high pace of 14.3% YoY in 3QFY25, following 9.5% YoY growth in 2Q and 10.4% YoY in 3QFY24. It implies that the states' total spending grew 10.1% YoY in 9MFY25 (vs. +11.9% in 9MFY24), achieving 60.7% of BEs, the highest in at least a decade (*Exhibit 2*).

Consequently, the states' aggregate fiscal deficit stood at INR1.9t in 3QFY25, much lower than INR2.9t in 2QFY25 but higher than INR1.4t in 3QFY24. It, thus, stood at 2.2% of GDP in 3QFY25, up from 1.9% in 3QFY24 (*Exhibit 3*). The aggregate fiscal deficit was INR5.8t (or 2.5% of GDP) in 9MFY25, compared to INR4.9t (or 2.3% of GDP) in 9MFY24. States have achieved 56.2% of their full-year target in 9MFY25, higher than 52.1% of BEs in 9MFY24 and the highest in three years (*Exhibit 4*).

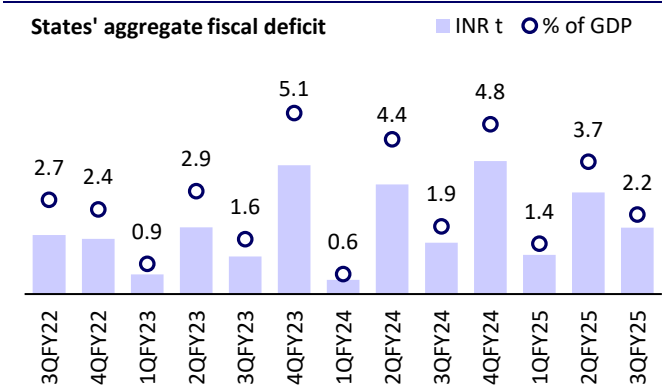
**Exhibit 1: Total receipts stood at 61.7% of BEs in 9MFY25...**



**Exhibit 2: ...and total spending was at 60.7% of BEs**

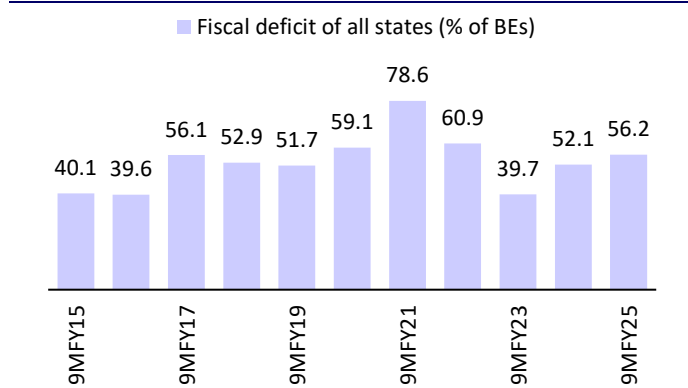


**Exhibit 3: States' aggregate fiscal deficit was at 2.2% of GDP in 3QFY25...**



\* Assuming nominal GDP growth of 10% YoY in 3QFY25

**Exhibit 4: ...and stood at 56.2% of BEs in 9MFY25, higher than 52.1% of BEs in 9MFY24**



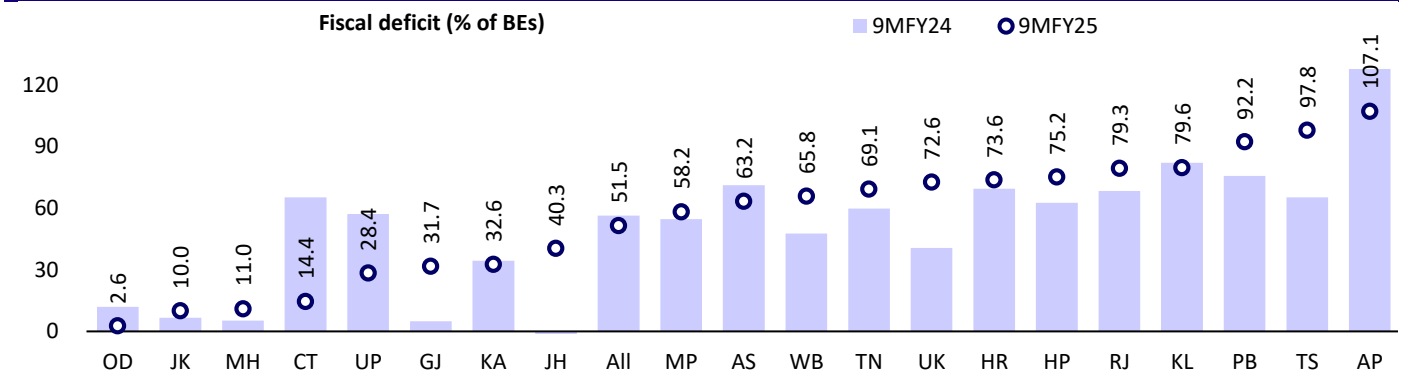
Source: Comptroller and Auditor General (CAG), CEIC, MOFSL

Not even a single state posted a fiscal surplus in 9MFY25, while the fiscal deficit of another state— AP, exceeded its full-year target.

**Only two states (OD and JK) posted a fiscal deficit of 10% of BEs or less in 9MFY25 compared to four states in 9MFY24:** An analysis of individual states/UTs suggests that only two states (OD and JK) posted a fiscal deficit of 10% of BEs or less in 9MFY25 compared to four states (JH, GJ, MH and JK) in 9MFY24. Notably, AP's 9MFY25 fiscal deficit exceeded its full-year target. AP's fiscal deficit was 107.0% of full-year BEs in 9MFY25 (lower than 127.7% of BEs in 9MFY24).

Besides AP, seven other states (TS, PB, KL, RJ, HP, HR, and UK), witnessed a fiscal deficit of more than 70% of BEs in 9MFY25 compared to three states (AS, PB, and KL) in 9MFY24 (*Exhibit 5*).

**Exhibit 5: Comparison of provisional fiscal deficits of states in 9MFY25 and 9MFY24 (% of BEs)**



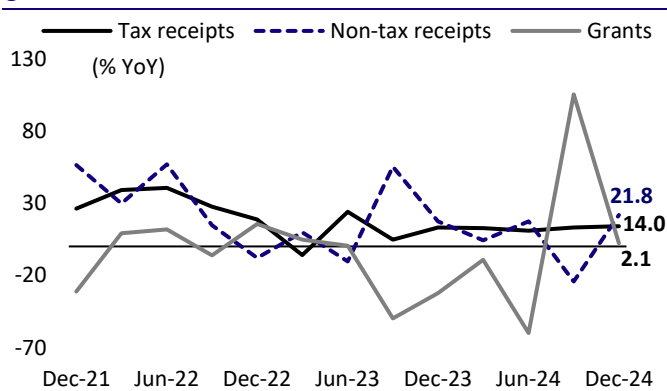
Source: CEIC, CAG, CEIC, MOFSL

States' total receipts grew 8.6% YoY in 9MFY25, entirely driven by transfers from the Center.

**Tax receipts grew at a six-quarter high pace, while grants remained muted:** Total tax receipts of all states grew 14.0% YoY in 3QFY25 (vs. 13.1%/13.1% in 2QFY25/3QFY24), the highest growth in six quarters. This implies a growth of 8.6% YoY in 9MFY25 vs. a growth of 7.7% in 9MFY24. At the same time, states' non-tax receipts grew at a five-quarter high pace of 21.8% in 3QFY25 vs. a growth of 17.4% in 3QFY24. On the contrary, grants from the Center remained subdued, grew only 2.1% YoY in 3QFY25 vs. a growth of 105.3% in 2QFY25 and a contraction of 32.3% YoY in 3QFY24 (*Exhibit 6*).

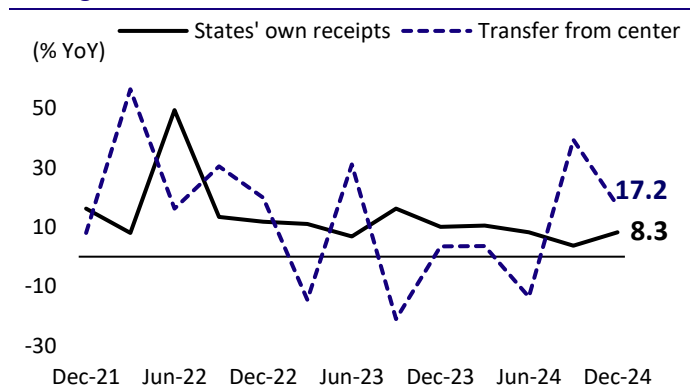
A re-classification of these sources confirms that states' own receipts grew at a three-quarter high rate of 8.3% YoY in 3QFY25 (3.7%/10.0% in 2QFY25/3QFY24), implying a growth of 6.7% YoY in 9MFY25 vs. a growth of 10.9% in 9MFY24. At the same time, the Center's transfer to states (devolution + grants) increased 17.2% YoY in 3QFY25 (39.4%/3.5% in 2QFY25/3QFY24), implying a growth of 11.5% YoY in 9MFY25 vs. a growth of 3.2% in 9MFY24 (*Exhibit 7*). Thus, states' total receipts grew 8.6% YoY in 9MFY25, mainly driven by transfers from the Center.

**Exhibit 6: While tax receipts and non-tax receipts grew, grants remained muted**



Estimates for all states are based on the data of 21 states

**Exhibit 7: States' own receipts grew at a 3-quarter high, while growth in transfers from the Center decelerated**

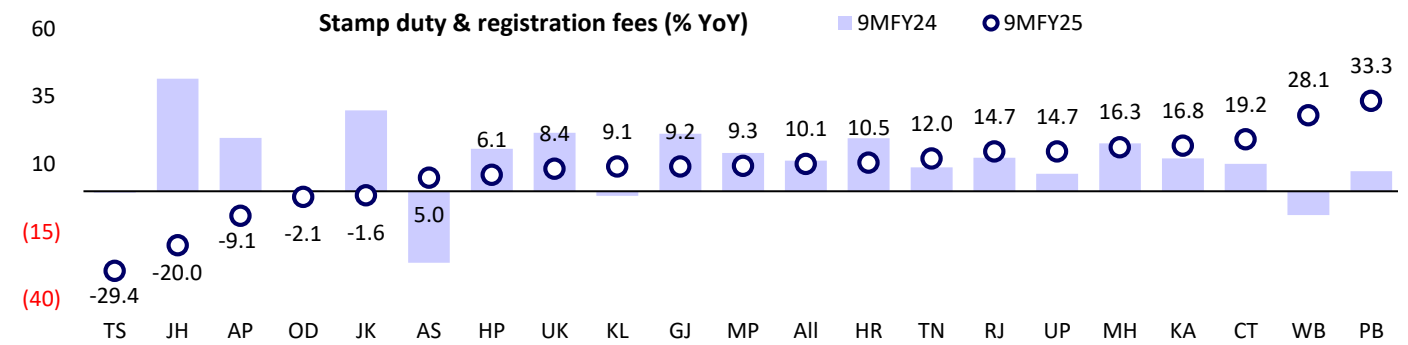


Source: CEIC, CAG, MOFSL

Stamp duty and registration fees of 20 states grew 7.9% YoY in 3QFY25 and 10.1% in 9MFY25.

**Stamp duty and registration charges grew in double digits in 9MFY25:** A major component of the states' receipts is stamp duties and registration fees collected by states. An analysis of the monthly data available for 20 states suggests that together, these charges grew 7.9% YoY in 3QFY25 vs. 8.3%/18.9% YoY growth in 3QFY24/2QFY25. In 9MFY25, the states' stamp duty and registration fees were up 10.1% YoY, following 11.4% growth in 9MFY24. Of the 20 states, five states – AP, JK, JH, OD, and TS – witnessed a contraction in 9MFY25 (*Exhibit 8*), and nine states posted higher YoY growth in 9MFY25 vs. 9MFY24.

**Exhibit 8: Stamp duty and registration charges grew 10.1% YoY in 9MFY25**

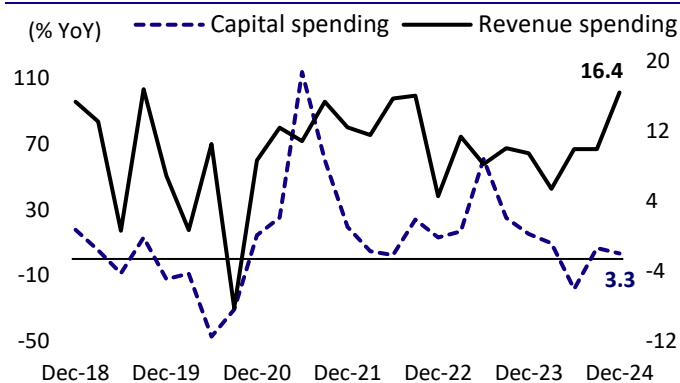


Source: CEIC, CAG, CEIC, MOFSL

States' capex was down 3.2% YoY in 9MFY25, following 32.1% growth in 9MFY24, and stood at 47% of BEs in 9MFY25.

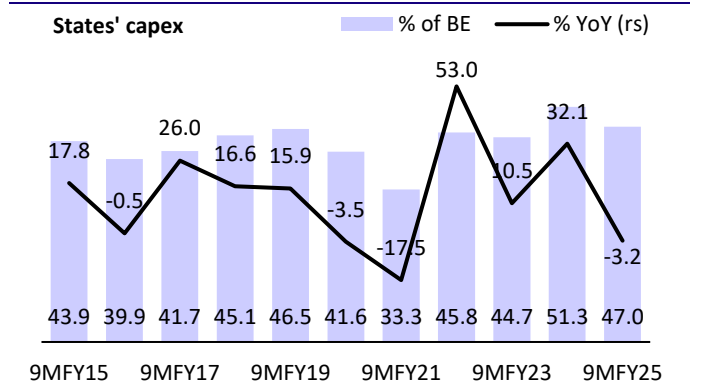
**Capital spending contracted in 9MFY25:** Within states' spending, growth in revenue spending outpaced growth in capital spending for the third consecutive quarter in 3QFY25. Revenue spending grew 16.4% YoY in 3QFY25, the highest growth in 21 quarters, compared to a growth of 9.5% in 3QFY24. Capital spending (including L&As) grew 3.3% YoY, following 15.2% growth in 3QFY24 (*Exhibit 9*). Excluding L&As, capex (or capital outlays) of all states grew 6.4% YoY in 3QFY25 (vs. 18.5% in 3QFY24) after declining for two straight quarters. Overall, the states' capex was down 3.2% YoY in 9MFY25, following a growth of 32.1% in 9MFY24, and stood at 47% of BEs in 9MFY25 (*Exhibit 10*).

**Exhibit 9: Revenue spending of all states grew 16.4% YoY in 3QFY25, while capital spending was up only 3.3%**



Estimates for all states are based on the data of 18 states

**Exhibit 10: States' capex\* was at 47% of BEs in 9MFY25 vs. 51.3% in 9MFY24**



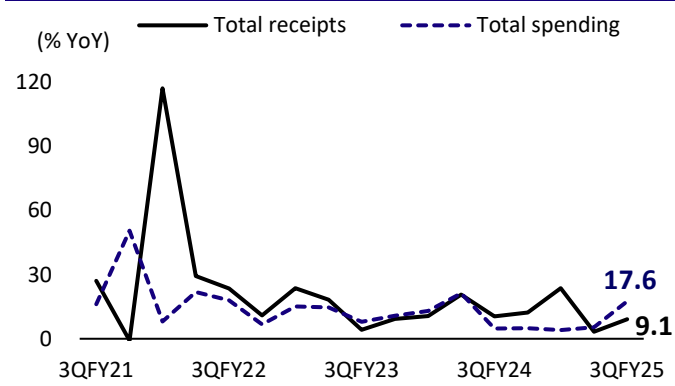
\* Capital spending less L&As

Source: CEIC, CAG, MOFSL

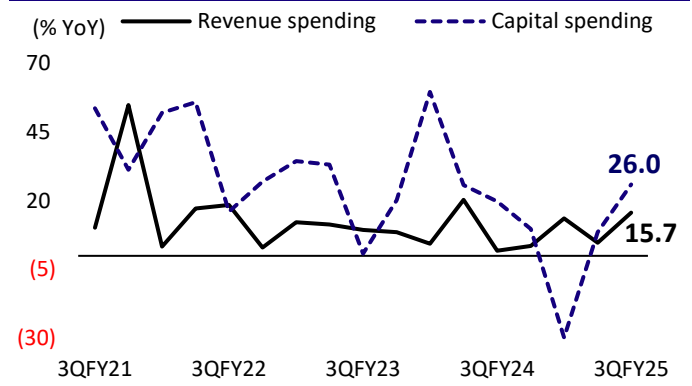
Total receipts rose 9.1% YoY (vs. +10.5% in 3QFY24), while total spending grew 17.6% YoY in 3QFY25 (vs. +4.8%)

**Combined capital spending growth picked up in 3QFY25:** A combined analysis of the central and state governments confirms that total receipts grew 9.1% YoY (11.5% in 9MFY25) and total spending grew at a five-quarter high pace of 17.6% in 3QFY25 (9.0% in 9MFY25). In other words, total receipts were at 68.6% of BEs in 9MFY25 (lowest in four years), lower than 70.8% in 9MFY24. At the same time, total spending was at 65.4% of BEs in 9MFY25, similar to 65.7% in 9MFY24.

**Exhibit 11: Combined receipts grew 9.1% YoY, while total spending grew at a 5-quarter high of 17.6% YoY in 3QFY25**



**Exhibit 12: Revenue spending increased by 15.7% YoY in 3QFY25, with 26% growth in capital spending**



Source: CEIC, CAG, Controller General of Accounts (CGA), MOFSL  
\* Excluding loans & advances

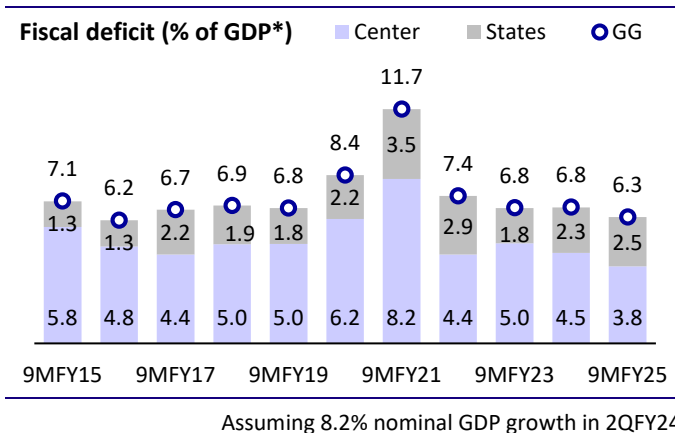
The combined capex (excluding L&As) contracted 3.5% YoY and was 54.1% of BEs in 9MFY25, compared to 60.4% of BEs in 9MFY24.

Further, revenue spending grew 15.7% YoY in 3QFY25 (highest in five quarters), following a growth of 1.9% in 3QFY24 (11.0% in 9MFY25). On the other hand, combined capital spending surged 26.0% YoY in 3QFY25, following a growth of 19.7% in 3QFY24 (0.5% in 9MFY25) (Exhibit 12). Capital spending, thus, was only 55.0% of BEs in 9MFY25, the lowest in the last four corresponding periods during previous years. The combined capex (excluding L&As) contracted 3.5% YoY in 9MFY25 (following +35.8% YoY in 9MFY24) and was 54.1% of BEs in 9MFY25, compared to 60.4% of BEs in 9MFY24.

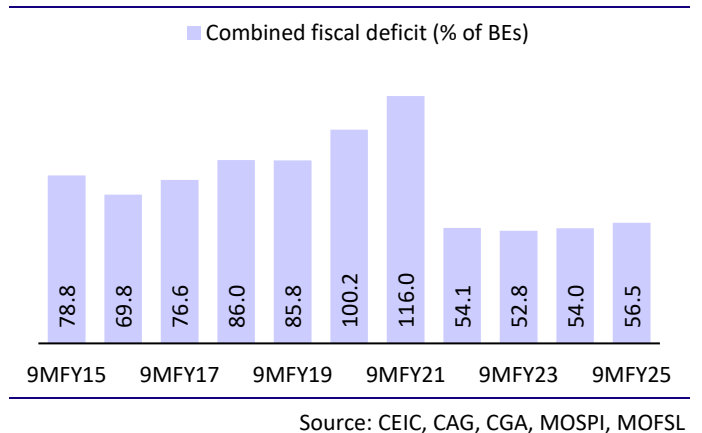
Our calculations suggest that the GG fiscal deficit stood at 6.3% of GDP in 9MFY25 vs. 6.8% in 9MFY24.

**Combined fiscal deficit was at 6.3% of GDP and 56.5% of BEs in 9MFY25:** As a % of BEs, states' aggregate fiscal deficit was at 56.2% of BEs in 9MFY25, while it was 56.7% for the Center, implying a combined fiscal deficit of 56.5% of BEs in 9MFY25, the highest in past four years. Assuming a 10% YoY nominal GDP growth in 3QFY25, our calculations suggest that the GG fiscal deficit stood at 6.3% of GDP in 9MFY25, lower than 6.8% of GDP in 9MFY24 and the average of 7.0% of GDP in the past decade (excluding FY21) (Exhibits 14 and 15).

**Exhibit 13: Combined fiscal deficit was 6.3% of GDP in 9MFY25 vs. 6.8% in 9MFY24**



**Exhibit 14: Combined fiscal deficit of the government stood at 56.5% of BEs in 9MFY25, the highest in last four years**



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