

## Government of India Finances

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**FY2023 fiscal deficit unlikely to materially exceed revised target of Rs. 17.6 trillion; 10-year G-sec yield to trade between 7.35-7.55% in March 2023**

**MARCH 2023**





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*Gol's fiscal deficit widened to Rs. 11.9 trillion during Apr-Jan FY2023*

*FY2023 RE for gross tax revenues likely to be missed marginally*

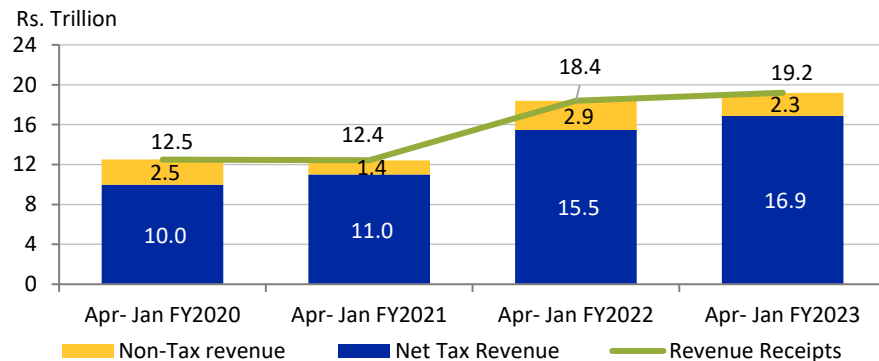
*Fiscal deficit unlikely to materially exceed the FY2023 RE of Rs. 17.6 trillion or 6.4% of GDP*



- The Gol's fiscal deficit widened substantially to Rs. 11.9 trillion in Apr-Jan FY2023 from Rs. 9.4 trillion in Apr-Jan FY2022, with a moderate 9.1% growth in net tax revenues, amidst a 20.8% dip in non-tax revenues, 9.7% rise in revenue expenditure, and a sharp 29.0% expansion in capex.
- Gross tax revenues in Apr-Jan FY2023 exceeded the year-ago levels by 12.6%, with a sharper increase in direct taxes (+16.8%) than indirect taxes (+7.4%). The latter was dampened by a contraction in union excise duty collections (-19.3%).
- Total expenditure rose by 12.8% YoY in Apr-Jan FY2023, with growth in capex (+29%) outpacing that in revex (+10%). Moreover, the monthly capex in Jan 2023 (Rs. 0.8 trillion) was much higher than the average of Rs. 0.54 trillion seen in the previous nine months.
- Gross tax revenues need to rise by ~11% YoY during Feb-Mar FY2023 to meet the FY2023 RE. However, the Feb-Mar FY2023 growth target for direct tax revenues (+18%) appears slightly optimistic, signalling a mild undershooting relative to the FY2023 RE for gross tax revenues.
- ICRA also expects a marginal undershoot in non-tax revenues in FY2023, relative to the RE, led by the slightly optimistic target for telecom sector receipts. Moreover, the Gol's disinvestment target is likely to be missed in FY2023, based on the substantial receipts that it needs to garner during the remainder of FY2023.
- Presently, ICRA foresees the total expenditure in FY2023 to remain largely in line with the RE, unless there is a sizeable amount of net cash outgo announced in the second supplementary demand for grants, as there could be some further savings.
- On balance, ICRA does not expect the fiscal deficit to materially exceed the revised target of Rs. 17.6 trillion or 6.4% of GDP for FY2023 on the expectation of further expenditure savings. Additionally, we expect the 10-year G-sec yield to trade between 7.35-7.55% until the next monetary policy review in April 2023.

# Revenue receipts rose by ~4% during Apr-Jan FY2023, led by net tax revenues, amidst mild contraction in non-tax revenues

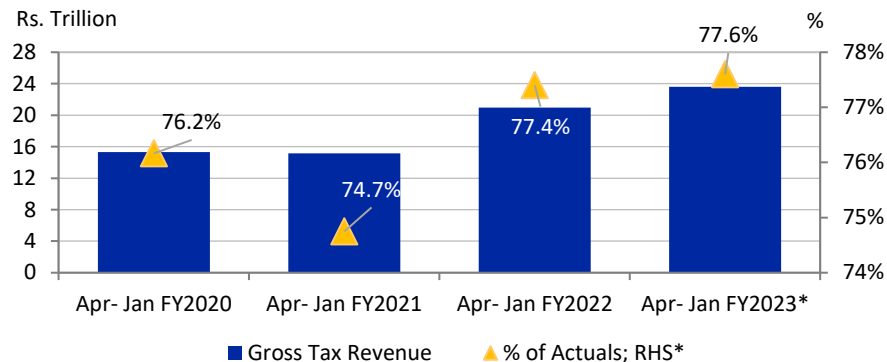
**EXHIBIT: Gol's revenue receipts, net tax revenues and non-tax revenues**



Source: CGA, Ministry of Finance, Gol; ICRA Research

- The provisional data released by the Controller General of Accounts (CGA) indicates that the Gol's revenue receipts grew by a modest 4.4% to Rs. 19.2 trillion (81.7% of FY2023 RE) during Apr-Jan FY2023 from Rs. 18.4 trillion (84.7% of FY2022 actuals) during Apr-Jan FY2022.
- While the net tax revenues expanded by 9.1% YoY in Apr-Jan FY2023 (to Rs. 16.9 trillion from Rs. 15.5 trillion; 80.9% of FY2023 RE), non-tax revenues contracted by a sharp 20.8% during this period (to Rs. 2.3 trillion from Rs. 2.9 trillion; 88.2% of FY2023 RE), as dividends and profits nearly halved during this period, relative to the year-ago period.

**EXHIBIT: Gol's Gross Tax Revenues (GTR)**

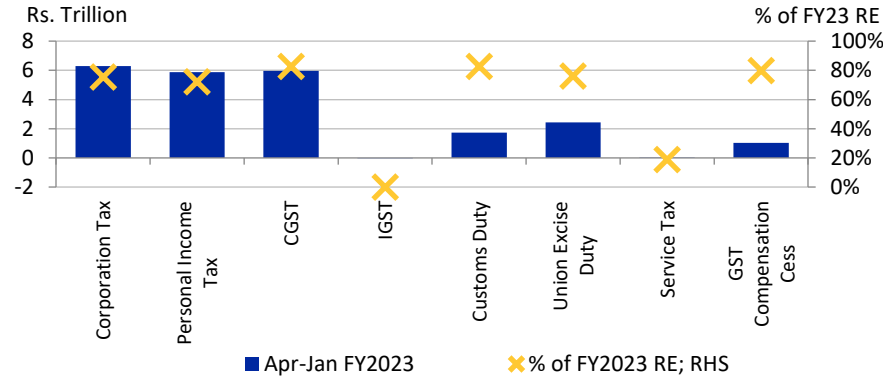


\*Actuals have been used for FY2020-22 and RE for FY2023; Source: CGA, Ministry of Finance, Gol; ICRA Research

- Against the 12.3% annual growth target for the FY2023 RE, the Gol's gross tax revenues rose by a slightly higher 12.6% YoY in Apr-Jan FY2023 to Rs. 23.6 trillion (77.6% of FY2023 RE) from Rs. 21.0 trillion in Apr-Jan FY2022 (77.4% of FY2022 actuals).
- This was led by a healthy YoY expansion in direct taxes (+16.8%), followed by a relatively lower growth in indirect taxes (+7.4%) in Apr-Jan FY2023.
- Moreover, on a monthly basis, growth in GTR rose to a three-month high of 13.5% in Jan 2023, despite the contraction reported by corporation tax, CGST (on account of last year's adjustment of IGST) and excise duty.

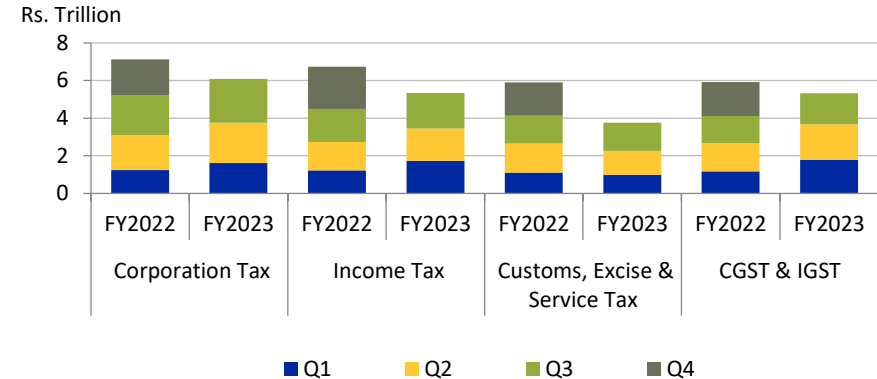
# Direct taxes expanded by ~17% YoY in Apr-Jan FY2023, exceeding the ~7% growth in indirect taxes during this period

EXHIBIT: Collections of Major Direct and Indirect Taxes and % of FY2023 RE



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Trends in Quarterly Tax Collections (Net of Refunds, Gross of States)

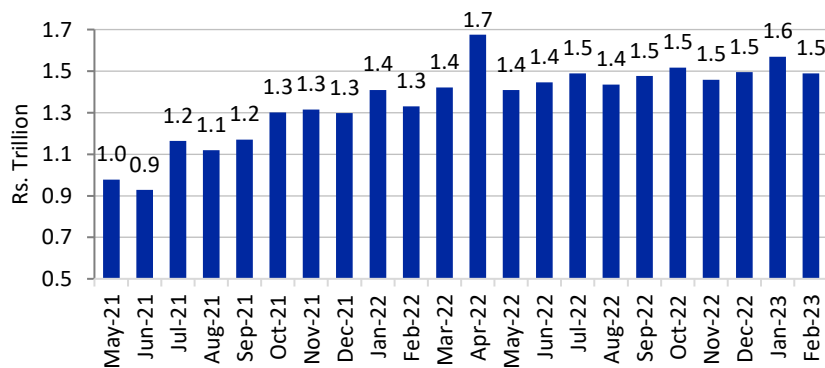


Source: CGA, Ministry of Finance, Gol; ICRA Research

- Direct tax collections expanded by a healthy 16.8% to Rs. 12.2 trillion in Apr-Jan FY2023 (73.7% of FY2023 RE) from Rs. 10.4 trillion in Apr-Jan FY2022 (74.0% of FY2022 actuals). This was driven by the 18.9% expansion in income tax collections in Apr-Jan FY2023 (to Rs. 5.9 trillion in Apr-Jan FY2023 from Rs. 4.9 trillion in Apr-Jan FY2022; 72.1% of FY2023 RE). Moreover, corporate tax collections rose by 14.8% in Apr-Jan FY2023 (to Rs. 6.3 trillion from Rs. 5.5 trillion; 75.3% of FY2023 RE). **Based on 10M trends and the RE for FY2023, direct taxes would need to grow by 18.3% to Rs. 4.3 trillion in Feb-March FY2023 from the Rs. 3.7 trillion collected during Feb-March FY2022, which seems slightly optimistic.**
- As per the [press release](#) dated Feb 10, 2023, the Gol's direct tax collections (net of refunds) have risen by 18.4% YoY to ~Rs. 13.0 trillion in FY2023 so far (till Feb 10, 2023; 78.7% of FY2023 RE), driven by both personal income (+21.9%) and corporation tax (+15.8%).**
- Indirect taxes rose by a relatively moderate 7.4% to Rs. 10.2 trillion in Apr-Jan FY2023 (80.7% of the FY2023 RE) from Rs. 9.5 trillion in Apr-Jan FY2022 (79.3% of FY2022 actuals). Higher inflows from CGST (YoY: +24.5%) and customs duty (+13.6%) during Apr-Jan FY2023 were partly offset by the YoY decline in union excise duty collections (-19.3%; led by the excise duty cut on petrol and diesel by the Centre in May 2022).
- GST compensation cess inflows aggregated to Rs. 1.0 trillion in Apr-Jan FY2023 (79.9% of the FY2023 RE; Rs. 0.9 trillion in Apr-Jan FY2022).

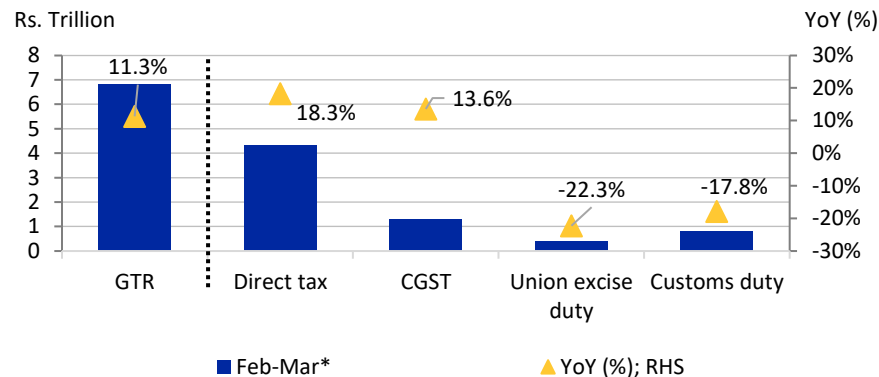
# GTR required to rise by ~11% YoY in Feb-Mar FY2023 to meet FY2023 revised target

EXHIBIT: Monthly trends in GST collections



Source: Ministry of Finance, Gol; ICRA Research

EXHIBIT: Implicit\* trends in key revenues in Feb-Mar FY2023

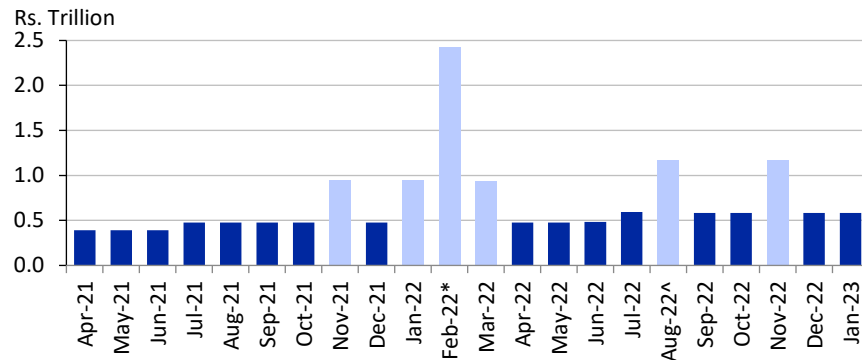


GTR also includes other categories of indirect taxes such as IGST, services tax, other taxes, etc.; Implicit values based on Apr-Jan FY2023 trends and FY2023 RE; Source: ICRA Research

- **Gross tax revenues would need to rise by ~11% YoY during Feb-Mar FY2023 to achieve the FY2023 RE of Rs. 30.4 trillion.**
- The headline GST collections in Feb 2023 grew by a healthy 12% to Rs. 1.5 trillion. However, the MoM dip in such collections in Feb 2023 is partly on account of the boost to the Jan 2023 level from the quarter-ending inflows, and the decline in merchandise imports in Jan 2023 which dampened GST revenues from imported goods. **As per the CGA data, the implicit growth for CGST collections is pegged at ~14% in Feb-March FY2023, which is likely to be achieved, given the recent trends.**
- Based on the 10M trends, the union excise revenue is estimated to contract by 17.8% YoY in Feb-Mar FY2023 (given the continuing overhang of the excise duty cuts in May 2022) to meet the FY2023 RE of Rs. 3.2 trillion, which suggests that the target is likely to be met. Additionally, the Gol has implicitly projected customs duty collections to ease to ~Rs. 366.3 billion in Feb-Mar FY2023 from Rs. 471.3 billion in the year-ago level to meet the FY2023 RE target, amidst the high base of March 2022.
- **ICRA believes that the Feb-Mar FY2023 growth target for direct tax revenues of 18.3% is slightly optimistic, with growth having slowed to 8.2% in October-January FY2023 from 23.5% in H1 FY2023. This might lead to a small undershooting relative to the FY2023 RE for gross tax revenues.**

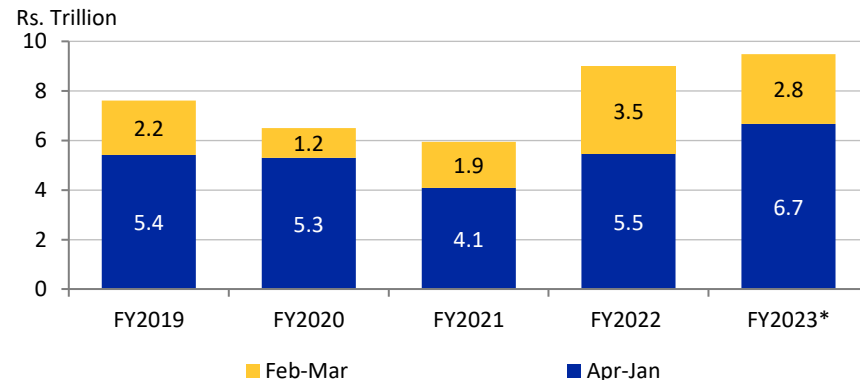
# CTD to contract by ~21% YoY in Feb-Mar FY2023 to meet FY2023 RE, boosting net tax revenues during that period

EXHIBIT: Monthly trends in tax devolution



\*Data for Feb 2022 includes two additional CTD instalments and additional arrears of Rs. 431.7 billion for FY1997- FY2018 released on Feb 25, 2022; ^Data for Aug and Nov 2022 includes two monthly instalments; Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Apr-Jan and Feb-Mar trends in central tax devolution

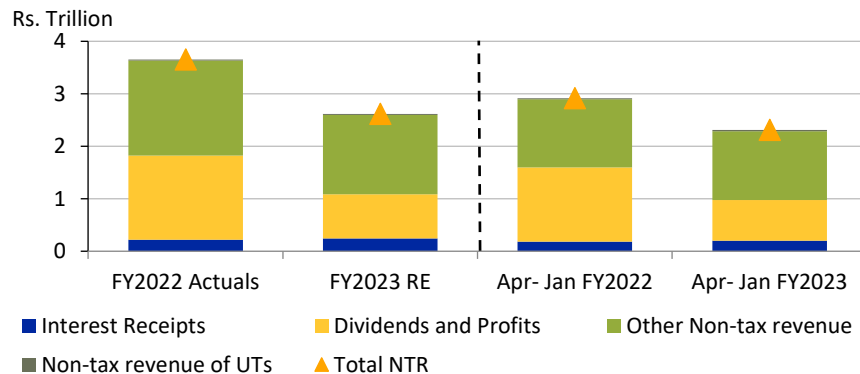


\*Feb-Mar FY2023 is calculated implicitly based on FY2023 RE and Apr-Jan FY2023; Actuals for FY2019-22; Source: CGA, Ministry of Finance, Gol; ICRA Research

- As per the CGA, the Central Tax Devolution (CTD) to the states has expanded by 22.4% to Rs. 6.7 trillion during Apr-Jan FY2023 from Rs. 5.5 trillion in Apr-Jan FY2022, with the average monthly tax devolution to states rising to Rs. 667.8 billion from Rs. 545.4 billion, boosted by the double instalments of Rs. 1.2 trillion each in Aug 2022 and Nov 2022.
- During Feb-Mar FY2023, around Rs. 2.8 trillion remains to be disbursed (including prior period adjustments of Rs. 326.1 billion included in FY2023 RE). While this is substantial, it is 20.5% or Rs. 0.7 trillion lower than the amount of Rs. 3.5 trillion released in Feb-Mar FY2022 (inclusive of additional arrears of Rs. 431.7 billion for FY1997-FY2018 released on Feb 25, 2022), offering a cushion to the Centre in the remainder of FY2023.
- The net tax revenues of the Gol have reached ~81% of the FY2023 RE during Apr-Jan FY2023. While the growth needed in last two months to meet the FY2023 RE (Rs. 20.9 trillion) appears optically high at ~55%, it will be supported by the expected contraction in tax devolution during this period.

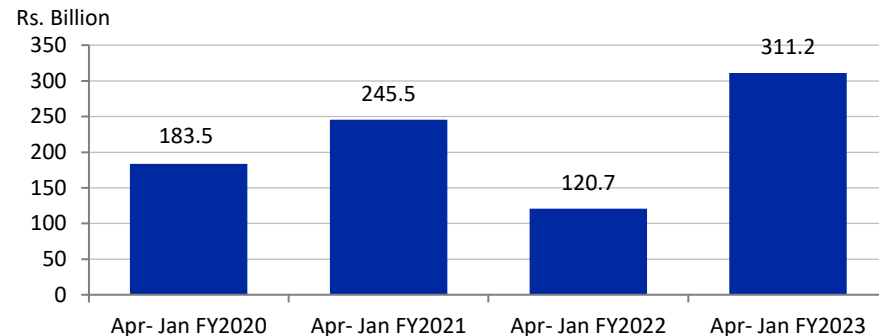
# Non-tax revenues expected to undershoot FY2023 BE, while disinvestment proceeds may trail full-year estimate

EXHIBIT: Trends in Non-tax revenues and its constituents



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Trends in disinvestment proceeds

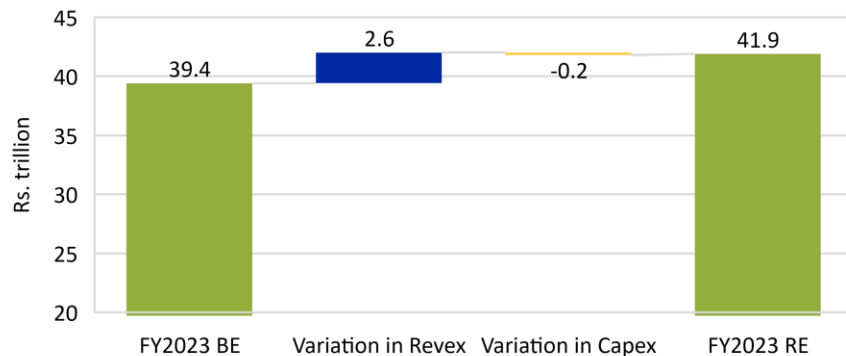


Source: CGA, Ministry of Finance, Gol; ICRA Research

- The Gol's non-tax revenues contracted by 20.8% to Rs. 2.3 trillion in Apr-Jan FY2023 (88.2% of FY2023 RE) from Rs. 2.9 trillion in Apr-Jan FY2022 (79.8% of FY2022 actuals), mainly on account of the decline in the RBI's surplus transfer in FY2023. Consequently, dividends and profits nearly halved to Rs. 0.8 trillion in Apr-Jan FY2023 (92.1% of FY2023 RE) from Rs. 1.4 trillion in Apr-Jan FY2022 (88.2% of FY2022 actuals).
- Implicitly, non-tax revenues are set to decline by ~58% to Rs. 0.3 trillion in Feb-Mar FY2023 from Rs. 0.7 trillion in Feb-Mar FY2022, with the latter having been boosted by telecom receipts related to prepayment of spectrum instalments by Reliance Jio (Rs. 308 billion). **According to ICRA, the FY2023 revised target for receipts from the telecom sector (Other Communication Services; Rs. 0.7 trillion) appears slightly optimistic. Consequently, there could be a marginal undershoot in non-tax revenues in FY2023, relative to the RE (Rs. 2.6 trillion).**
- As per the CGA data, disinvestment inflows stood at ~62% of the RE or Rs. 311.2 billion in Apr-Jan FY2023 (Rs. 120.7 billion in Apr-Jan FY2022). **Based on the FY2023 RE of Rs. 500 billion, the Gol needs to garner disinvestment receipts of Rs. 188.8 billion in Feb-Mar FY2023, which may be missed.**

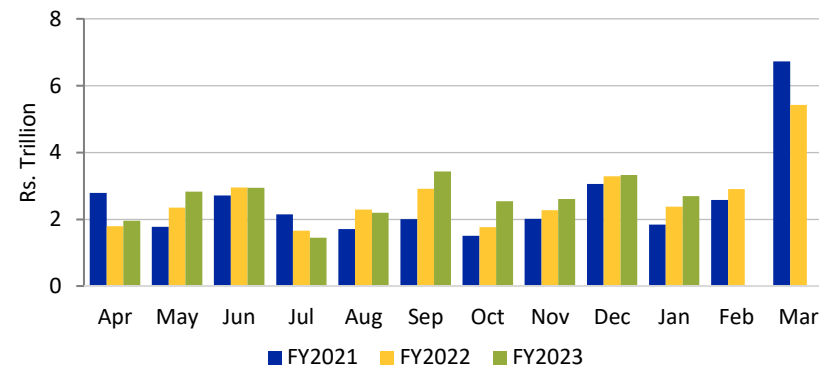
# Total expenditure in Apr-Jan FY2023 grew by 13% YoY with a 29% expansion in capex amid a moderate 9.7% rise in revenue spending

**EXHIBIT: Centre's total expenditure in FY2023 BE and RE with changes in revex and capex in RE vs. BE**



Source: CGA, Gol; ICRA Research

**EXHIBIT: Centre's revenue expenditure**



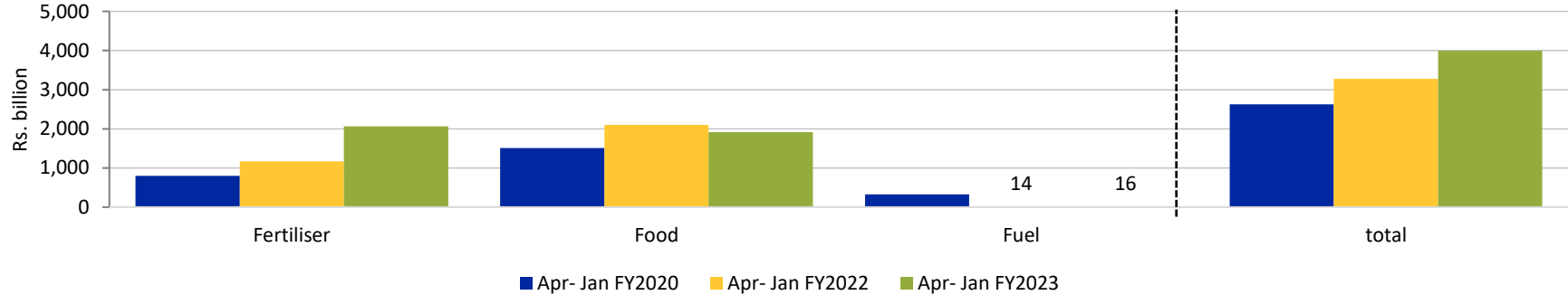
Source: CGA, Gol; ICRA Research

- The FY2023 RE for the total expenditure of the Gol is pegged at Rs. 41.9 trillion, Rs. 2.4 trillion higher than the BE, driven by the anticipated overshoot in revex (+Rs. 2.6 trillion, led by subsidies) amid a mild cut in the capex target (-Rs. 0.2 trillion).
- During 10M FY2023, total spending grew by 12.8% YoY, reflecting the trend for capex (+29.0%), followed by revex (+9.7%).
- Within revex, total subsidy outgo towards major subsidies expanded by a sharp ~22% YoY in 10M FY2023, followed by the 20.2% growth in interest payments during this period. However, non-interest non-subsidy expenditure grew by a modest 2.4% relative to the year-ago levels in 10M FY2023.
  - The total outgo for major subsidies surged to Rs. 4.0 trillion in 10M FY2023 (76.6% of FY2023 RE) from Rs. 3.3 trillion in 10M FY2022 (73.5% of FY2022 Actuals). **In Feb-March 2023, subsidy outgo needs to grow by 3.2% in YoY terms in order to achieve the FY2023 revised target of Rs. 5.2 trillion, which reflects higher outgo in food (+21%) and fuel (+278% on a low base) subsidies, and a moderation in the fertiliser (-50%) subsidy, relative to the actual spending in Feb-March 2022.**



# Total outgo towards major subsidies expanded by 22% YoY in 10M FY2023, largely led by fertilisers

EXHIBIT: Total actual outgo under major subsidies

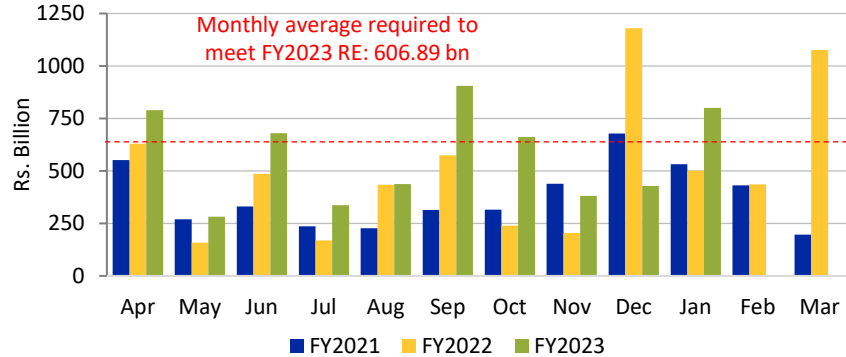


Source: CGA, Gol; ICRA Research

- **Food Subsidy:** Against the revised target of a 0.6% decline in FY2023 (over FY2022 Actuals), the actual food subsidy outgo moderated by a sharper 8.9% to Rs. 1.9 trillion in 10M FY2023 from Rs. 2.1 trillion in 10M FY2022, partly reflecting the lower wheat procurement bill. **Going ahead, the food subsidy outgo is implicitly expected to expand by 21% YoY to Rs. 1.0 trillion in Feb-March FY2023 from the Rs. 0.8 trillion incurred in year-ago period to remain within the RE for FY2023.**
- **Fertiliser Subsidy:** Data released by the CGA indicates that the amount of fertiliser subsidy released during 10M FY2023 expanded to Rs. 2.1 trillion from Rs. 1.2 trillion in 10M FY2022. **ICRA expects the subsidy bill for FY2023 to be ~Rs. 2.5 trillion for the fertiliser sector (NBS + urea based), which is a modest ~Rs. 250 billion higher than the RE of Rs. 2.3 trillion for the fiscal. Given that proposals from Ministries have been recently invited for the second batch of supplementary demand for grants for FY2023, an extra allocation under this head can't be ruled out.**
- **Fuel subsidy:** The outgo has risen by ~11% YoY to Rs. 15.6 billion in 10M FY2023. To meet the FY2023 RE, subsidy is estimated to triple to Rs. 76.1 billion in Feb-Mar 2023 (Rs. 20.1 billion in Feb-Mar 2022), while remaining low in absolute terms. **ICRA does not expect overshooting under this head in FY2023 relative to the RE.**

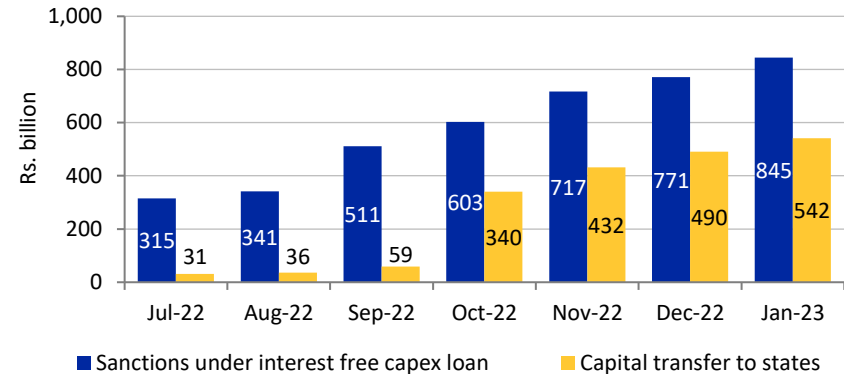
# Modest YoY growth of 4.8% needed in capex during Feb-March FY2023 to meet FY2023 RE

EXHIBIT: Centre's capital expenditure



Source: CGA, Gol; ICRA Research

EXHIBIT: Special Assistance to States for Capital Investment for FY2023

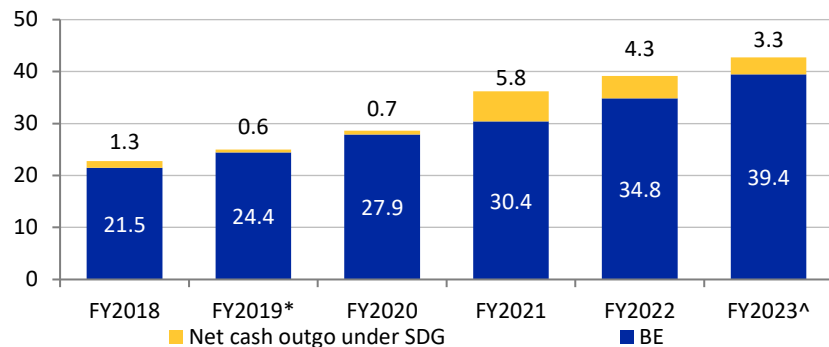


Source: DOE, Finance Ministry, Gol; ICRA Research, Data during April- June is not available.

- The Gol's capex target was pared mildly to Rs. 7.3 trillion in FY2023 RE from Rs. 7.5 trillion included in the BE. The target for special assistance to states for capital investment ("capex scheme") was reduced to Rs. 0.76 trillion in FY2023 RE from the BE of Rs. 1.0 trillion after a tepid pick-up in offtake by the states in H1 FY2023.
- Data released by the CGA indicated that the Gol's capex rose by a sharp 29.0% to Rs. 5.7 trillion in 10M FY2023 (78.3% of FY2023 RE) from Rs. 4.4 trillion in 10M FY2022 (74.5% of FY2022 Actuals). The capital spending has averaged around Rs. 570 billion/month, boosted by the large outgo of Rs. 800 billion in January 2023.
- As per the monthly report released by the DoE, Gol, Rs. 844.8 billion has been sanctioned by the Centre under the state capex scheme till Jan 2023, of which Rs. 452.4 billion has been released to the states. According to the CGA data, combined capital transfers to states (which includes transfers under the capex scheme) stood at Rs. 541.8 billion in 10M FY2023, implying that Rs. 312.3 billion would need to be incurred during Feb-March 2023 to meet the RE on this account.
- Implicitly, a modest YoY growth of 4.8% in the balance capex is needed during Feb-March FY2023 to meet the FY2023 RE, although the required monthly amount of Rs. 791.9 billion is much higher than the average monthly capex seen during 10M FY2023. Continued offtake of the interest free capex loan scheme by the states' will be crucial to ensure that the revised target is met.**

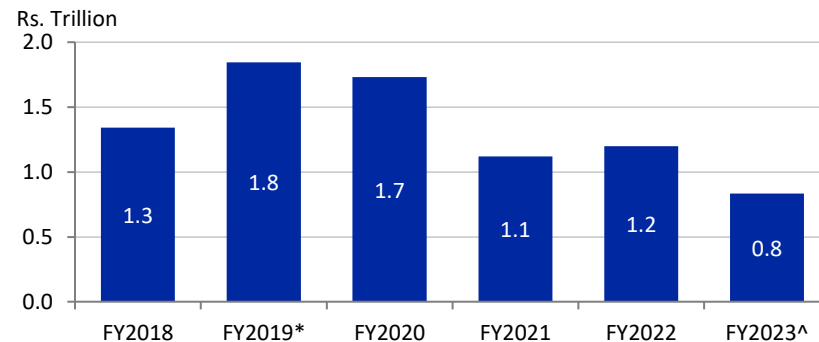
# Total expenditure in FY2023 unlikely to overshoot RE levels unless there is sizeable net cash outgo announced in 2<sup>nd</sup> supplementary

**EXHIBIT: Budgeted Total Expenditure and Net Cash Outgo announced under Supplementary Demand for Grants (Rs. trillion)**



\*Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; ^Based on Revised Estimate for FY2023; Source: Union Budget; ICRA Research

**EXHIBIT: Estimated Expenditure Savings (BE + NSDG – Actual; Rs. trillion)**

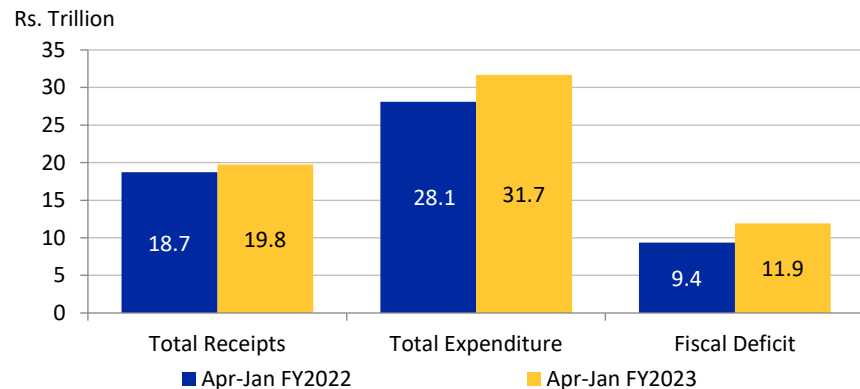


Actuals for FY2018-22; Aggregate expenditure savings of the GoI are computed by adding net cash outgo under the SDG to the budgeted total expenditure and subtracting actual spending incurred in each fiscal; \*Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; ^Based on Revised Estimate for FY2023; Source: Union Budget; ICRA Research

- Taking into account the revised target of total expenditure and net cash outgo under 1<sup>st</sup> SDG for FY2023, the GoI is expecting expenditure savings from other heads to the extent of Rs. 0.8 trillion in FY2023, lower than the yearly average seen since FY2018 (Rs. 1.3 trillion/year).
- As per the historical trends, the actual spending tends to be lower than the RE levels. Such savings may absorb any additional net cash outgo that may be announced under the 2<sup>nd</sup> SDG for FY2023.
- **Overall, ICRA foresees the total expenditure in FY2023 to remain largely within the RE of Rs. 41.9 trillion at the current juncture, unless there is a sizeable amount of net cash outgo announced in the second supplementary.**

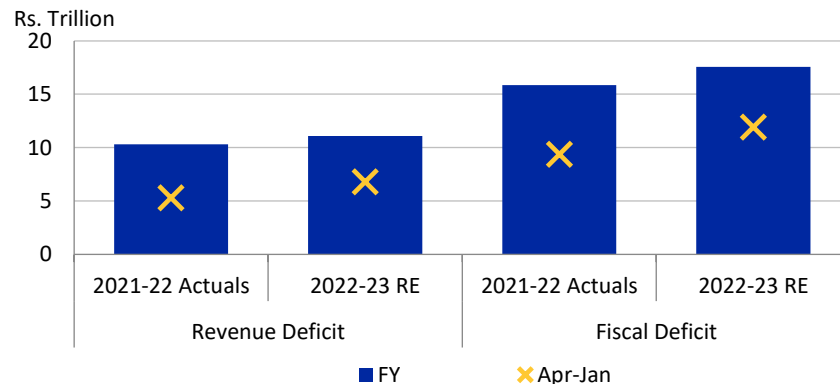
# FY2023 fiscal deficit unlikely to materially exceed the RE of Rs. 17.6 trillion

EXHIBIT: Trends in Revenues and Expenditure of the GoI



Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: Revenue and Fiscal Deficits

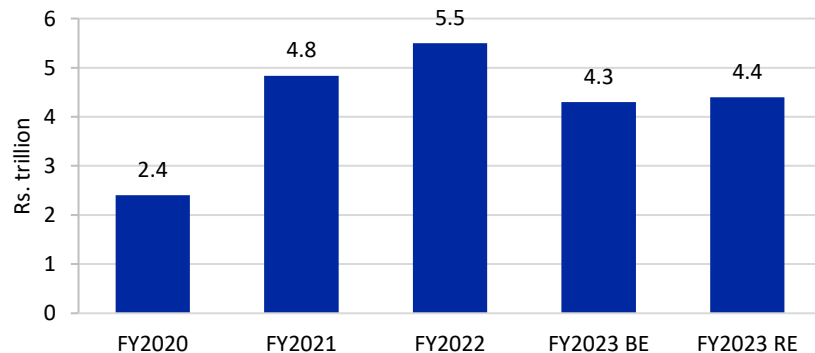


Source: CGA, Ministry of Finance, GoI; ICRA Research

- The GoI estimated its revenue deficit to rise to Rs. 11.1 trillion in FY2023 RE from the BE of Rs. 9.9 trillion. Additionally, it expects its fiscal deficit to widen to Rs. 17.6 trillion in FY2023 RE as against Rs. 16.6 trillion in the BE. Owing to the downward revision in the nominal GDP as per the second advance estimates for FY2023 (Rs. 272.0 trillion vs. Rs. 273.1 trillion in the 1st AE), the fiscal deficit-to-GDP ratio is expected to be marginally higher at 6.45% vis-à-vis 6.43% indicated in the FY2023 RE.
- As per the provisional data released by the CGA, the revenue deficit rose to Rs. 6.8 trillion in 10M FY2023 from Rs. 5.3 trillion in 10M FY2022, led by a lower rise in revenue receipts (+4.4%) compared to the revenue expenditure (+9.7%). Moreover, the YoY expansion of 29.0% in capital spending widened the GoI's fiscal deficit to Rs. 11.9 trillion in 10M FY2023 from Rs. 9.4 trillion in 10M FY2022. The GoI's revenue and fiscal deficits stood at 67.8% and 61.1% of the FY2023 RE, respectively, in 10M FY2023, higher than the prints of 59.2% and 51.3% of the FY2022 actuals, respectively, in 10M FY2022.
- **While there may be modest deviations from the revised estimates for direct taxes, disinvestment receipts and certain categories of expenditure, ICRA does not expect the fiscal deficit to materially exceed the revised target of Rs. 17.6 trillion or 6.4% of GDP for FY2023.**

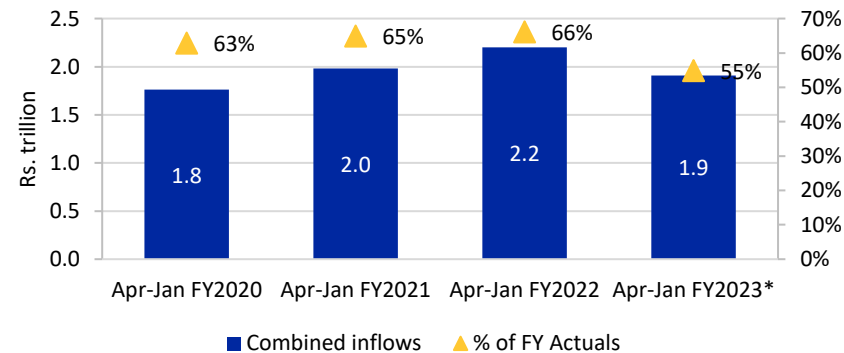
# About 55% of revised target for inflows in saving deposits, certificates and PPF garnered till 10M FY2023, lower than trends seen in FY2020-22

EXHIBIT: Net Securities against Small Savings



Source: Union Budget; ICRA Research

EXHIBIT: Combined Inflows in Savings Deposits and Certificates, and PPF



\*For FY2023, we have taken revised estimates in our analysis; Source: CGA; ICRA Research

- The GoI had mildly raised the net amount from small savings to fund its fiscal deficit for FY2023 in its FY2023 RE to Rs. 4.4 trillion from the budgeted Rs. 4.3 trillion, which trails the Rs. 5.5 trillion included in FY2022 Actuals.
- Till 10M FY2023, inflows under saving deposits and certificates and public provident funds had declined by 13.3% YoY to Rs. 1.9 trillion from Rs. 2.2 trillion in 10M FY2022. Notably, this is the lowest amount received under these accounts during the first 10 months since FY2020. Further, nearly 55% of the Rs. 3.5 trillion indicated in the revised target for FY2023 has been garnered till Apr-Jan FY2023, trending much lower than the levels seen in Apr-Jan FY2020-22 (63-66% of actuals for respective fiscals).
- **To meet the FY2023 RE, such inflows would need to expand by 39% YoY to Rs. 1.5 trillion in Feb-March 2023 from Rs. 1.1 trillion collected in Feb-March 2022. After the modest hikes undertaken in Q3 FY2023, the interest rates under various small saving schemes were raised for Q4 FY2023 in the range of 20-110 bps. While there is a typical surge in the inflows during March of every fiscal, some modest slippage under this head in FY2023 from the RE levels can't be ruled out.**

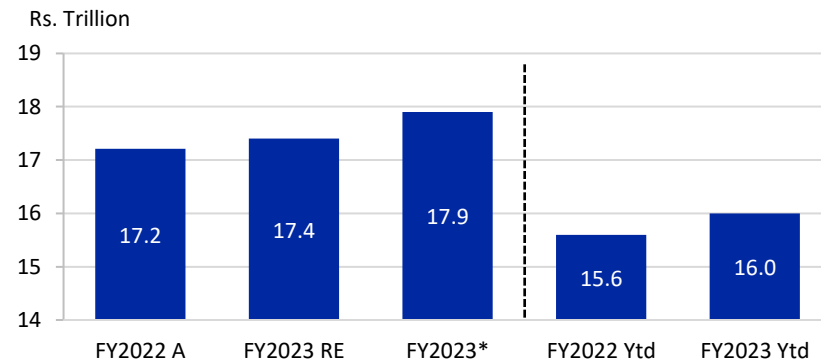
# FY2023 target for gross T-bill issuances revised up by Rs. 500 billion

**EXHIBIT: GoI's Market Borrowing Programme (Gross Issuance, except Sovereign Gold Bonds) in FY2022 and FY2023**

Rs. Trillion	FY2022	FY2023	Growth
Gross Borrowings^ (A)	11.3	14.1	24.6%
Devolvement	1.0	0.23	-76.5%
Cancellations	1.5	0.16	-89.1%
Redemptions (B)	2.7	3.1	15.5%
Net Borrowings (C=A-B)	8.6	10.9	27.5%

*^Inclusive of amount availed through green shoe options; Source: GoI; RBI; ICRA Research*

**EXHIBIT: Trends in Gross T-bills issuances**



*A: Actuals; RE: Revised estimates; \*Latest planned amount to be raised in FY2023 as per RBI's revised calendar for March 2023; Note: YTD data as on March 1; Source: RBI; ICRA Research*

- Similar to Rs. 14.2 trillion indicated in FY2023 RE, the GoI has raised Rs. 14.1 trillion from gross market issuances in FY2023, 24.6% higher than the Rs. 11.3 trillion recorded in FY2022. With a YoY rise in redemptions (+15.5%), net borrowings have risen by a sharper 27.5% to Rs. 10.9 trillion in FY2023 (vs. Rs. 11.1 trillion as per the FY2023 RE) from the Rs. 8.6 trillion raised in the previous fiscal. The announced dated market borrowing programme for FY2023 has now been completed.
- In the Union Budget presented on Feb 1, 2023, the GoI pegged the gross T-bills issuances (91-day, 182-day, 364-day) in the RE for FY2023 at Rs. 17.4 trillion, a mild Rs. 0.2 trillion lower than the budgeted Rs. 17.6 trillion. However, after reviewing the cash position of the GoI, the RBI has announced additional gross issuances of Rs. 500 billion from the T-bill market on Feb 24, 2023, which may be on account of any feared shortfall in the small savings collections. Consequently, the cut-off yields in the T-bill auction held on March 1, 2023 have risen considerably in the range of 12-13 bps across 91-day, 182-day and 364-day maturities, relative to Feb 22, 2023 levels.
- In FY2023 so far (till March 1, 2023), it has raised Rs. 16.0 trillion (89% of the Rs. 17.9 trillion planned for FY2023) through such fresh gross T-bills issuances, just 2.7% higher than the amount raised in the same period last year (Rs. 15.6 trillion).

# 10-year G-sec yield to trade between 7.35-7.55% until MPC's Apr 2023 policy meeting

EXHIBIT: Trend in 10-year India G-sec yields



Source: Bloomberg; ICRA Research

- The newly issued 10-year G-sec yield (0.7.26 GS 2033) had risen to 7.34% on Feb 8, 2023, following the MPC's Feb 2023 meeting wherein policy rates were hiked by 25 bps and the stance of withdrawal of accommodation was retained, thereby keeping the window open for further policy tightening. Subsequently, the yields rose further to 7.37% on Feb 23, 2023 amid devolvement to primary dealers in the weekly G-sec auction amounting to Rs. 82.5 billion out of the notified Rs. 120 billion.
- Thereafter, the yield was up by 5-6 bps to 7.43% intraday on Feb 28, 2023 (close to three month high), after the release of MPC's Feb 2023 policy minutes (earlier in the week) revealed a hawkish tone in the remarks made by a majority of the Committee members. Moreover, the additional borrowings of Rs. 500 billion from the T-bill market contributed to the recent uptick in the T-bill cut-off as well as G-sec yields. Given the surge in the CPI inflation in January 2023 and persisting core pressures, ICRA expects another rate hike in the April 2023 meeting, unless inflation falls below 6% in February 2023, which appears unlikely.
- **While there are limited concerns on a fiscal slippage or additional dated market borrowings, the apprehensions around further monetary tightening are likely to keep bond yields elevated in the near term. ICRA expects the 10-year G-sec yield to trade between 7.35-7.55% until the next monetary policy review in April 2023.**

**Table A.1: Trends in Tax Revenue Receipts in FY2022 actuals and Apr-Jan FY2023**

	FY2022 Actuals	FY2023 RE		Apr-Jan FY2023		
	Rs. Billion	Rs. Billion	Growth~	Rs. billion	% of RE	Growth#
<b>Gross Tax Revenues^</b>	<b>27,093.2</b>	<b>30,430.7</b>	<b>12.3%</b>	<b>23,626.8</b>	<b>77.6%</b>	<b>12.6%</b>
<b>Direct Taxes</b>	<b>14,082.8</b>	<b>16,500.0</b>	<b>17.2%</b>	<b>12,166.3</b>	<b>73.7%</b>	<b>16.8%</b>
Corporation Tax	7,120.4	8,350.0	17.3%	6,290.1	75.3%	14.8%
Income Tax	6,962.4	8,150.0	17.1%	5,876.2	72.1%	18.9%
<b>Indirect Taxes</b>	<b>11,930.3</b>	<b>12,589.3</b>	<b>5.5%</b>	<b>10,159.6</b>	<b>80.7%</b>	<b>7.4%</b>
Central GST (CGST)	5,912.3	7,240.0	22.5%	5,973.7	82.5%	24.5%
Union Territory GST (UTGST)	43.0	39.3	-8.6%	29.6	75.2%	34.1%
IGST	21.2	0.0	-100.0%	-15.3	-	-117.2%
Customs Duty	1,997.3	2,100.0	5.1%	1,733.8	82.6%	13.6%
Excise Duty	3,946.4	3,200.0	-18.9%	2,436.1	76.1%	-19.3%
Service Tax	10.1	10.0	-1.2%	1.9	18.9%	-71.1%
GST Compensation Cess	1,047.7	1,300.0	24.1%	1,038.4	79.9%	21.6%

^Net of Refunds, Gross of States' share in Central Taxes; ~Relative to FY2022 Actuals; #As compared to the corresponding period of FY2022 Actuals; Source: CGA; Union Budget; ICRA Research



**Table A.2: Trends in Key fiscal metrics in FY2022 actuals and Apr-Jan FY2023**

	FY2022 Actuals	FY2023 RE		Apr-Jan FY2023		
	Rs. billion	Rs. billion	Growth~	Rs. billion	% of RE	Growth#
Revenue Receipts	21,699.1	23,484.1	8.2%	19,196.5	81.7%	4.4%
Tax Revenues\$	18,047.9	20,866.6	15.6%	16,887.1	80.9%	9.1%
Non-Tax Revenues	3,651.1	2,617.5	-28.3%	2,309.4	88.2%	-20.8%
Revenue Expenditure	32,009.3	34,589.6	8.1%	25,977.6	75.1%	9.7%
<b>Revenue Balance</b>	<b>-10,310.2</b>	<b>-11,105.5</b>	<b>7.7%</b>	<b>-6,781.1</b>	<b>61.1%</b>	<b>28.2%</b>
Capital Receipts	146.4	600.0	309.9%	386.7	64.5%	220.4%
Capital Expenditure, Net Lending	5,681.4	7,047.7	24.1%	5,513.7	78.2%	30.9%
<b>Fiscal Balance</b>	<b>-15,845.2</b>	<b>-17,553.2</b>	<b>10.8%</b>	<b>-11,908.1</b>	<b>67.8%</b>	<b>27.0%</b>

*\$Net of Refunds, Net of States' share in Central Taxes; ~Relative to FY2022 Actuals; #As compared to the corresponding period of FY2022 Actuals; Source: CGA; Union Budget; ICRA Research*



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## Contact Details



**Aditi Nayar**

*Chief Economist and Head-  
Research & Outreach*

**Rahul Agrawal**

*Senior Economist*

**Aarzoo Pahwa**

*Senior Associate Economist*



aditin@icraindia.com

rahul.agrawal@icraindia.com

aarzoo.pahwa@icraindia.com



0124 4545 385

022 6114 3425

0124 4545 835





ICRA

## Contact Details



**Tiasha Chakraborty**

*Senior Associate Economist*

**Anusha Jindal**

*Associate Economist*



tiasha.chakraborty@icraindia.com

anusha.jindal@icraindia.com



0124 4545 848

0124 4545 399





ICRA

## Business Development/Media Contact Details



**L. Shivakumar**

*Executive Vice-President*

**Jayanta Chatterjee**

*Executive Vice-President*

**Naznin Prodhani**

*Head Media & Communications*



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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