

FIRST LIGHT

RESEARCH

BOB Economics Research | State Budgets

State finances in FY22 – A recap

SUMMARY

India Economics: State Budgets

In order to analyse the health of state finances in FY22 and FY23, we selected a sample of 21 major states for which the data was readily available. These 21 states contribute to 96% of the total fiscal deficit of all the states combined. The states excluded in our study are: Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. In FY22, on an aggregate level, states missed (FY22 RE: 3.71%) the fiscal deficit target (FY22 BE: 3.51%) by a small margin, with 12 of these states reporting lower than projected fiscal deficit, while others exceeding their budgetary targets. Most significant consolidation was achieved by Odisha, W. Bengal, Haryana, Chhattisgarh and Karnataka. On the other hand, maximum slippage in fiscal deficit was observed for Bihar, Punjab, Rajasthan, Goa, Kerala and Maharashtra.

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Daily macro indicators

Indicator	24-Aug	25-Aug	Chg (%)
US 10Y yield (%)	3.10	3.03	(8bps)
India 10Y yield (%)	7.29	7.29	1bps
USD/INR	79.82	79.88	(0.1)
Brent Crude (US\$/bbl)	101.2	99.3	(1.9)
Dow	32,969	33,292	1.0
Hang Seng	19,269	19,968	3.6
Sensex	59,085	58,775	(0.5)
India FII (US\$ mn)	23-Aug	24-Aug	Chg (\$ mn)
FII-D	401.7	(39.2)	(440.9)
FII-E	132.4	21.1	(111.3)

Source: Bank of Baroda Economics Research



STATE BUDGETS

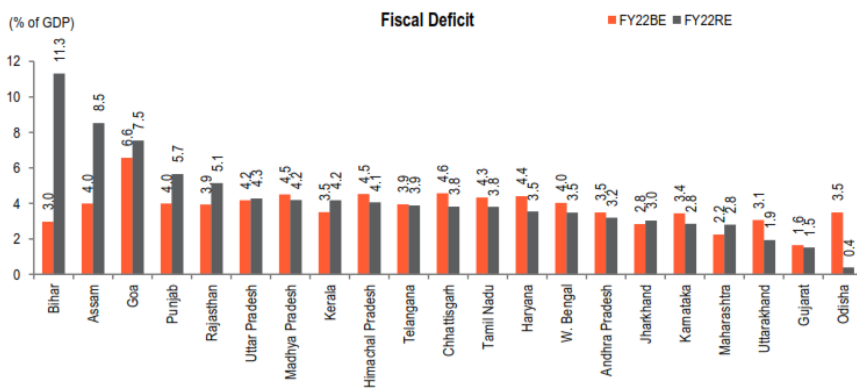
25 August 2022

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Sonal Badhan
Economist

Figure 1: State-wise fiscal deficit in FY22 BE versus RE



Source: PRS, Bank of Baroda Research

Notably in FY22, barring Chhattisgarh and Karnataka, other states (Odisha, W. Bengal, and Haryana) which achieved maximum consolidation in their fiscal deficits, were also the states which ensured cut back in overall expenditure.

- Amongst these, Odisha and W. Bengal made significant cuts in their capex.
- Karnataka too compromised on capex to make space for higher revenue spending.
- Only Haryana and Chhattisgarh achieved consolidation without compromising on capex.

On the other hand, states (except Punjab and Kerala) reporting maximum fiscal slippage, were also the ones incurring higher than budgeted expenditure in FY22.

- Bihar, Rajasthan, Maharashtra and Goa reported higher than projected revenue and capital expenditure.
- However, Punjab registered a slippage despite cuts in revenue and capital spending.



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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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