

Revenue-deficit States may face fiscal stress, says Centre

T.C.A. Sharad Raghavan

NEW DELHI

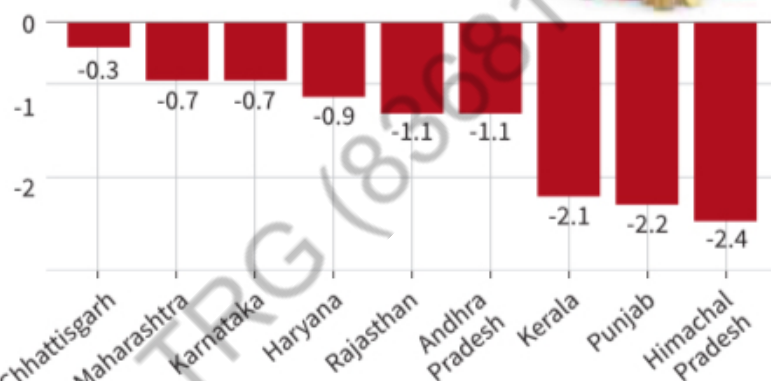
The Union Finance Ministry has warned that States with revenue deficits and high debt burdens will find it harder to deal with fiscal shocks, including from the West Asia crisis, forcing them to either reprioritise expenditure away from productive areas, or approach the Centre for more funds at a time when it is trying to consolidate its own finances.

In its Monthly Economic Review for April, the Department of Economic Affairs in the Ministry said nine of the 18 large States analysed were in revenue deficit as per their own projections for 2026-27. Seven are projected to be revenue surplus, while one is in revenue balance.

A revenue deficit is when expenditure on recurring items such as salaries, pensions, subsidies, and interest payments exceeds the revenue earned from sources such as taxes

In the red

Nine of the 18 large States analysed by the Ministry of Finance are in revenue deficit



Revenue balance as % of GSDP in 2026-27

Source: Ministry of Finance

and fees.

The States with projected revenue deficits as a percentage of their gross state domestic products (GSDP) are Himachal Pradesh (-2.4%), Punjab (-2.2%), Kerala (-2.1%), Andhra Pradesh (-1.1%), Rajasthan (-1.1%), Haryana (-0.9%), Karnataka (-0.7%), Maharashtra (-0.7%), and Chhattisgarh (-0.3%).

Tamil Nadu and West Bengal were excluded from the analysis as they have so far presented only

interim budgets for 2026-27.

“Revenue-deficit States are constrained by the debt servicing obligations and carry, on average, significantly higher outstanding liabilities than revenue-surplus States, and many of them spend more than 15% of their revenue receipts on interest payments,” the report of the Ministry noted.

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Revenue-deficit States may face fiscal stress

Of all the States analysed, Punjab has the highest projected ratio of interest payments to revenue receipts of 22.8%. “States simultaneously running a revenue deficit and high outstanding liabilities have fewer degrees of freedom to respond to fiscal shocks,” the report said. “Specifically, they may have to resort to expenditure restructuring or may demand higher central transfers to meet the present unforeseen shocks.”

The eight States with projected revenue surpluses as a percentage of their GSDPs are Odisha (3%), Jharkhand (2.5%), Uttar Pradesh (1.6%), Goa (1.3%), Gujarat (0.8%), Uttarakhand (0.6%), Telangana (0.3%), and Bihar (0.1%).

Island project has strategic value, says ex-IAF chief

The Hindu Bureau

NEW DELHI

The Greater Nicobar Island project is “important for India’s military footprint” in the area, a former chief of the Indian Air Force said on Thursday, as part of the BJP’s pushback against Congress leader Rahul Gandhi’s comments against the project and its harmful ecological impact.

Air Chief Marshal R.K.S. Bhadauria (retd), who is now a member of the BJP, pointed to the strategic importance of having a port near the route of China’s energy shipments, with the conflict in West Asia demonstrating the impact of such maritime leverage. He said that environmental concerns are taken on board as a matter of course when such projects are mooted. “There are statutory clearances and committees are made. They look at all the factors and all are mitigated,” he said.

Italy told to avoid sharing of defence tech with Pakistan

Saurabh Trivedi

NEW DELHI

Defence Minister Rajnath Singh held bilateral talks with his Italian counterpart, Guido Crosetto, at the Manekshaw Centre on Thursday, urging Italy to refrain from sharing sensitive defence technologies with Pakistan.

Sources in the Defence Ministry said Mr. Singh had asked Italy to stop any potential defence technology collaboration with Pakistan, emphasising India's security interests. The Italian side, according to sources, said certain defence technologies offered to India would remain exclusive and not be shared with other countries.

During the meeting, both leaders reaffirmed that the India-Italy Strategic Partnership is anchored in shared values of peace, stability, freedom and mutual respect.

In a post on X, the Defence Minister said he and his Italian counterpart had discussed a wide range of regional and global issues, including the current situation in West Asia. The two Ministers discussed avenues to further develop

mutually beneficial defence industrial cooperation under the Aatmanirbhar Bharat programme and Italy's defence cooperation initiatives.

The Defence Ministry said a Bilateral Military Cooperation Plan for 2026-27 was exchanged, outlining future engagements between the armed forces of both countries.

Both sides also highlighted convergence between the two ancient maritime nations on key issues, including enhanced information sharing through the Information Fusion Centre-Indian Ocean Region.

Mr. Crosetto paid homage to fallen soldiers at the National War Memorial and inspected a tri-service Guard of Honour at the Manekshaw Centre.

Meanwhile, the Indian Coast Guard hosted an Italian delegation, including senior representatives from Fincantieri Shipyard, at Coast Guard Headquarters.

Both sides deliberated on the indigenous development and co-development of niche technologies in alignment with the vision of Aatmanirbhar Bharat.

Vietnamese President Lam on India visit from May 5 to 7

Express News Service

New Delhi, April 30

VIETNAM'S PRESIDENT To Lam is expected to visit India from May 5 to 7, in what will be his maiden state visit after being elected as the President earlier in April.

The Vietnamese president is expected to hold bilateral talks with Prime Minister Narendra Modi, and also meet President Droupadi Murmu, the Ministry of External Affairs said Thursday.

To Lam, who also serves as the General Secretary of the Communist Party of Vietnam, will lead a high-level delegation of ministers and top executives during his state visit

next week.

The MEA said: "PM Modi will hold wide-ranging discussions with President To Lam across the spectrum of bilateral relations ..."

The two leaders are expected to focus on enhancing ties in trade and critical technologies, with a special emphasis on boosting defence cooperation, especially in the maritime domain.

The visit marks the tenth anniversary of the elevation of relations to a Comprehensive Strategic Partnership, agreed during PM Modi's visit to Vietnam in 2016, the MEA added.

The Vietnamese president is also expected to visit Bodh Gaya and Mumbai.

Foreign Secy Misri likely to visit Nepal this month

Divya A

New Delhi, April 30

IN THE first diplomatic outreach to Nepal after the swearing-in of the Balen Shah government a month ago, Foreign Secretary Vikram Misri is expected to visit Kathmandu in the second week of May.

As per sources, dates for the visit are being finalised. The Ministry of External Affairs is yet to make an official announcement in this regard.

Earlier this month, External Affairs Minister S Jaishankar had met his Nepalese counterpart Shisir Khanal in Mauritius on the sidelines of the ninth Indian Ocean Conference.

Sources said Misri's Nepal visit may be followed by a high-level visit from Kathmandu in the coming months. During his proposed two-day visit, the Foreign Secretary will seek to understand the priorities of the new government, including on key ongoing projects.

Iran vows to safeguard its nuclear capabilities

Tehran will secure Persian Gulf, implement new rules to manage Strait of Hormuz, says Mojtaba Khamenei; U.S. President had earlier said that he wanted a deal from Iran on the nuclear issue

Stanly Johny

Iran's Supreme Leader Mojtaba Khamenei said on Thursday that the country would "safeguard" its "nuclear and missile" capabilities and lay down new rules for managing the Strait of Hormuz, hours after U.S. President Donald Trump said a blockade of Iranian ports would remain until a nuclear deal is reached.

"A new chapter for the Persian Gulf and the Strait of Hormuz is taking shape," he said in a statement, marking Persian Gulf Day. "The Islamic Republic will secure the Persian Gulf region and dismantle the enemies' exploitative schemes in this waterway. The legal frameworks and implementation of new management for the strait will



bring peace and progress to the benefit of all the region's nations," he said.

The war on Iran, launched by the U.S. and Israel, has turned into a maritime battle of wills after Mr. Trump announced a ceasefire on April 8. While the ceasefire is still

holding, Iran's chokehold of the strait, the mouth of the oil-rich Persian Gulf, remains intact. The U.S. has imposed a blockade on Iran-linked vessels in the Gulf of Oman to exert economic pressure on Tehran.

Last week, U.S. media reported that Iran made a

proposal to the U.S. via Pakistan promising to ease its control of the strait in return for the U.S. lifting its blockade. Iran said it would discuss outstanding issues, including the nuclear programme, in the second round.

Mr. Trump, in an interview, said on Wednesday that he wanted a deal from Iran addressing America's core concerns, including the nuclear issue.

"The blockade is somewhat more effective than the bombing... They want to settle. They don't want me to keep the blockade. I don't want to [lift the blockade], because I don't want them to have a nuclear weapon," he said.

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SHIP HEADS TO STRAIT

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Iran vows to safeguard its nuclear capabilities

Iran has always maintained that its nuclear programme is for peaceful purposes. Mr. Trump, who ordered U.S. bombing of Iran's nuclear facilities in June 2025, had then said he had "obliterated" the nuclear programme.

Mr. Khamenei on Thursday said Iranians would safeguard all of the country's technological advances, including the nuclear and missile programmes. Iranians "will regard all their national identity capacities – spiritual, human, scientific, industrial, and foundational and cutting-edge technologies, from nano and bio to nuclear and missile – as their national capital, and will safeguard them just as they do their maritime, land, and air borders," he said in the statement.

He added that the U.S. presence is the "most important factor of insecurity" in the region. "America's illusory bases lack even the ability to ensure their own security, let alone any hope that America could provide security for the region's dependents and Americanophiles."

U.S. Central Command stated on Wednesday in a social media post that it had reached a "significant milestone after successfully redirecting the 42nd commercial vessel attempting to violate the blockade". There are "41 tankers with 69 million barrels of oil that the Iran can't sell", it said.

Oil prices soared to four-year highs on Thursday, with the global benchmark Brent spiking more than 7% to \$126.41 a barrel for June delivery.

Iran's President Masoud Pezeshkian said the Persian Gulf is an "inseparable" part of Iran's identity, adding that the U.S. blockade is "doomed to fail". "As we have repeatedly announced, the presence and interference of foreigners will not help improve security in the region but will create tension and disrupt lasting peace in the Persian Gulf," he said in a statement. Mr. Pezeshkian added that Iran would adhere to "the principles of freedom of navigation and maritime safety, except for hostile countries".

Iran's Parliament Speaker and chief negotiator Mohammad-Bagher Ghalibaf signalled that Tehran would not give up its control over the Strait of Hormuz.

Gulf within

Differences with Saudi Arabia and Iran's attacks led to the UAE's exit from OPEC

The UAE has withdrawn from the Organization of the Petroleum Exporting Countries (OPEC), a cartel that it joined in 1967, and OPEC+. It was OPEC's fourth-largest producer (3.12 million barrels per day) and its third-largest exporter (2.88 mbd) in 2025, behind Saudi Arabia and Iraq. The Emiratis clearly sought to free themselves of production constraints set largely by the cartel's dominant producer, Saudi Arabia. With significant spare capacity, the Emiratis believe that they are better off with the autonomy to ramp up exports, a capability now constrained by the de facto closure of the Strait of Hormuz, the largest disruption to oil supply in history, following U.S.-Israel attacks on Iran. Brent crude prices barely budged on the announcement, revealing how heavily the Strait crisis weighs on the market. But once the UAE weathers this crisis, whether through the Strait's reopening, or by routing more crude through a pipeline bypassing Hormuz, analysts estimate that it could lift production by roughly a million barrels a day. While Saudi Arabia, OPEC's bellwether, has remained chary of over-supply and sought to keep prices high, the UAE has long pushed for higher production for revenues that it intends to funnel into AI infrastructure and other diversification projects.

Unsaid in the UAE's move is also its frustration with what it sees as a lack of cartel-wide coordination in responding to Iran's missile and drone attacks on Gulf oil and military facilities; Iran is also an OPEC member. The Emiratis have also differed sharply with the Saudis on external interventions: in Yemen and Sudan. The UAE also seeks closer ties with Israel than most Gulf states, which remain uncomfortable with any thaw given Israel's genocidal actions in Gaza and its attacks on Iran and Lebanon. The U.S., a non-OPEC member, and the world's largest oil producer at 13.6 mbd, has long viewed the cartel's price-setting unfavourably, and President Donald Trump has repeatedly pressed it to pump more. The UAE perhaps calculates that aligning with Washington will yield benefits for its production and pipeline ambitions, though Mr. Trump's transactional and mercurial foreign policy offers little guarantee. The UAE's exit also reflects a structural issue: OPEC's share of global crude dropped to 36.7% in 2025, and with Hormuz shut, pricing power has shifted to American producers in the short term. OPEC will continue, but with a reduced ability to set prices. For net oil-importing countries such as India, however, the immediate threat is not the cartel's unravelling but the "double blockade" in the Strait of Hormuz and the fragile Iran-U.S. ceasefire. Unless a new geopolitical détente emerges between Iran and the Gulf states, volatility will persist, threatening energy security regardless of what unfolds within OPEC.

Myanmar coup-leader turned president orders Suu Kyi be moved to house arrest

Agence France-Presse

YANGON

Myanmar's junta-chief turned president on Thursday ordered deposed leader Aung San Suu Kyi to be moved to house arrest, five years after sweeping her into detention in a 2021 coup.

A statement from the office of Min Aung Hlaing said he had "commuted the remaining sentence" of the 80-year-old Suu Kyi "to be served at the designated residence".



Aung San Suu Kyi

It was not immediately clear where she will be moved, but a senior source from her dissolved Nation-

al League for Democracy (NLD) party told AFP that she would likely be kept sequestered at an address in the capital Naypyidaw.

A Naypyidaw police source said security forces had been ordered to "enforce restrictions" in areas of the capital on Thursday night. "The 'designated residence' mentioned in the order will remain under their direct custody and control," they said, speaking on condition of anonymity.

The official statement al-

so did not make clear how many years remain in Suu Kyi's sentence.

In New York, United Nations spokesman Stephane Dujarric told reporters the move was "a meaningful step towards conditions conducive to a credible political process".

As military chief, Min Aung Hlaing toppled Suu Kyi's elected government five years ago, detaining her on a host of charges which rights groups say were confected to sideline her.

Israel raids Gaza flotilla, 'kidnaps' crew members

Organisers say Israeli forces stormed at least 22 of the aid flotilla's 58 boats 'in complete violation of international law', at a distance of 1,000 km from Gaza Strip; the crew was of many nationalities

Agence France-Presse

ATHENS

Organisers of a Gaza-bound aid flotilla on Thursday said Israel's army had "kidnapped" 211 activists, including a Paris city councillor, in a raid in international waters off Greece.

Helene Coron, a spokeswoman for the Global Sumud France, told an online news conference that the operation had taken place near the Greek island of Crete, at an "unprecedented" distance from the Gaza coast.

Yasmine Scola, an activist on board the flotilla, said her colleagues had been "kidnapped" by Israel.

Israel's Foreign Ministry had earlier put the number of those detained at 175.

Ms. Coron said those intercepted included Paris Communist local councillor Raphaëlle Primet and 10 more French nationals.

"We don't have the information for the other nationalities, but the boats were mixed in terms of na-



A file photo of boats of a Gaza-bound aid flotilla making a symbolic leave from Barcelona's Port Vell on April 12. AFP

tionality, so there were crew members from all 48 delegations," she said.

Rome, in a government statement, called for the immediate release of "all the unlawfully detained Italians".

30 boats on route

The organisers of the latest flotilla of pro-Palestinian activists seeking to break Israel's blockade on Gaza announced early on Thursday that their boats had been surrounded by Israeli military ships while off the coast of Crete.

"At the time of publishing this statement (06:30

am Paris time, 04:30 GMT), at least 22 of the flotilla's 58 boats have been stormed by Israeli forces in complete violation of international law," the Global Sumud Flotilla said in a statement.

According to an AFP verification, based on tracking data from the organisers, the boats were intercepted in the Greek exclusive economic zone (EEZ).

Around 30 boats from the flotilla are still en route, most now in Greek territorial waters south of Crete, according to the same source.

Ms. Coron said the operation had taken place over 1,000 km from the Gaza Strip. The longest such operation to date had been 185 km in June 2025, she said.

Israel's Foreign Ministry dismissed the initiative as a "condom flotilla" after prophylactics were found in a previous convoy, adding that more than 20 of the ships were "now making their way peacefully to Israel".

Ms. Scola said her ship had been carrying school supplies and food. The flotilla set sail in recent weeks from Marseille in France, Barcelona in Spain, and Syracuse in Italy.

Overnight from Wednesday to Thursday, the flotilla said its boats had been "illegally surrounded" by Israeli vessels.

"Our boats were approached by military speedboats, self-identified as 'Israel', pointing lasers and semi-automatic assault weapons ordering participants to the front of the boats and to get on their hands and knees," the organisation had said.

Lebanon says Israeli strikes killed 9 people

Agence France-Presse

BEIRUT

Israeli strikes on south Lebanon killed nine people including two children, Lebanon's Health Ministry said on Thursday, shortly after the President decried what he described as ongoing Israeli violations of a nearly two-week ceasefire.

Israel has pressed its attacks on Lebanon as the fragile ceasefire, announced after a round of direct talks between the Lebanese and Israeli ambassadors in Washington, neared its two-week mark.

"Israeli enemy strikes



Mourners carry the coffins of civil defence members killed in a strike by Israel on Majdal Zoun town during their funeral on Thursday. AFP

on south Lebanon led, in an initial toll, to nine martyrs, among them two children and five women, and 23 wounded, among them eight children and seven

women," the Ministry said in a statement.

Speaking to a delegation from the International Federation of Red Cross and Red Crescent Societies,

President Joseph Aoun had earlier slammed "continuing Israeli violations" in south Lebanon.

He said these were occurring "despite the ceasefire, as do demolitions of homes and places of worship, while the number of killed and wounded rises day after day".

On Thursday, an Israeli army spokesperson called for the evacuation of eight southern villages ahead of planned military action there.

Lebanese state media reported a series of Israeli airstrikes across southern Lebanon on Thursday.

Foreign investors dump ₹60,847 cr. in April, devaluing rupee

This was the primary reason for the rupee depreciating further, touching a low of ₹95 a dollar before closing just short of that on Thursday

Ashokamithran T.

MUMBAI

Foreign investors sold ₹60,847 crore in stocks of Indian listed companies as of April 2026, continuing the two-year trend of capital outflow, data from the National Securities Depositories Ltd. (NSDL) show.

The outflow makes it the third in the first four months of the calendar year. There was a net inflow of ₹22,615 crore in February 2026. It was then followed by the highest ever outflow of more than ₹1.1 lakh crore in March 2026. The April sell-off is, however, much lower than the month before.


In the four months of calendar year 2026, ₹1.9 lakh crore worth of foreign money exited from Indian equities alone.

This is what had primarily led to the rupee touching a low of ₹95 a dollar before closing just short of that on Thursday. The rupee-dollar pair depreciated 5.5% between January 2026 and April 2026, backed by increasing import bills due to the West Asia crisis and the continued foreign money outflow from domestic capital markets.

“The interaction bet-



Money matters: The rupee-dollar pair depreciated 5.5% between January 2026 and April 2026, backed by increasing import bills. AFP

 Continued FII outflow would mean the foreign exchange rate can touch ₹96 a dollar

ANINDYA BANERJEE,
Head of Commodity and Currency Research, Kotak Securities

ween portfolio outflows and exchange rate movements has exhibited self-reinforcing dynamics: rupee depreciation reduces dollar-denominated returns for foreign investors, prompting further outflows, which in turn exacerbates currency pressures. As India's integration with global financial markets deepens, such episodes underscore the heightened sensitivity of capital flows to shifts in global risk sentiment," the

Ministry of Finance observed in its monthly Economic Review.

A continued closure of the Strait of Hormuz would mean a heightened oil price and continued FII outflow would mean the foreign exchange rate can touch ₹96 a dollar. A break over that would lead to the rupee depreciating to ₹97 a dollar, said Anindya Banerjee, Head of Commodity and Currency Research, Kotak Securities. He further said that the rupee appreciating more than ₹94.8 is not likely without a “significant dip in oil prices.”

The outlook for rupee and the foreign money's sensitivity to India's foreign exchange rate may make their immediate return unlikely in the context of global geo-politics.

BRENT CRUDE PRICES HIT \$126/BARREL

Rupee breaches 95-mark amid fresh war concerns, spike in oil prices

Akash Mandal

Mumbai, April 30

THE RUPEE fell past the 95-per-dollar mark Thursday on its way to hitting a new all-time low of 95.34-per-dollar as fresh concerns about the war in West Asia propelled global crude oil prices to a four-year high. Having closed at 94.85 Wednesday, the rupee ended Thursday only slightly weaker at 94.92.

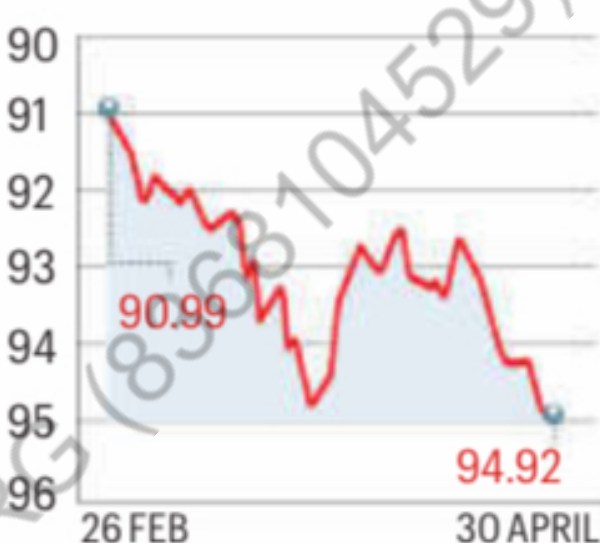
Domestic stock markets also behaved similarly, with Nifty and Sensex falling as much as 1.6% during the day before closing 0.75% lower. However, for April as a whole, the two benchmark indices were up 7-8% — the biggest monthly gain in over two years — after falling more than 11% in March.

Investor apprehension weighed heavy Thursday as Brent crude oil prices surged to \$126 per barrel, with worries mounting that the conflict in West Asia could escalate after American news website Axios reported that US President Donald Trump would be briefed on “new plans for potential military action” in Iran.

Market sentiment was also weighed down by cautious commentary by the US Federal Reserve, which late Wednesday left the federal funds rate target range unchanged at 3.5-3.75%.

“The Fed’s messaging has

● **4% fall since Feb-end**



FIGURES ARE DAILY CLOSING LEVELS OF RUPEE'S US DOLLAR EXCHANGE RATE.

SOURCE: INVESTING.COM

THE WORLD

IRAN THREATENS 'PAINFUL' RESPONSE IF U.S. ATTACKS [PAGE 18](#)

certainly turned more hawkish,” Madhavi Arora, Chief Economist at Emkay Global Financial Services, said. It is unlikely the central bank “will move on rates until there is greater clarity” on the conflict and evidence that effects of the US tariffs are fading, Arora said.

The rupee is now down more than 4% since the US and Israel attacked Iran on February 28, with Foreign Portfolio

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Re breaches 95-mark

Investors (FPIs) continuing to leave Indian financial markets due to concerns about how exposed the country's economy is to higher energy prices.

According to Barclays analysts, the rupee is "one of the more vulnerable currencies to an energy price shock". "After breaking through the key psychologically important level of 95.0, risks of further INR weakness remain, with potential to hit our 2026 year-end forecast of 96.80 sooner than expected," Barclays said Thursday.

After selling \$12.7 billion of stocks in March, April has seen FPIs pull out to the tune of \$6.5 billion. So far in 2026, FPIs' net equity sales have totalled \$20.7 billion — more than the \$18.9 billion they withdrew in all of 2025. Several foreign brokerages, including HSBC and Morgan Stanley, have downgraded their view on Indian equities in recent weeks.

"...what we are witnessing is a textbook reflexive trade -- rising oil prices triggering FII (Foreign Institutional Investors) outflows, FII outflows compounding the dollar demand from oil importers, and the combination overwhelming whatever defence the Reserve Bank of India (RBI) is putting up," said Anindya Banerjee, Head of Commodity and Currency Research at Kotak Secur-

ities.

"The RBI is intervening and will continue to intervene. But the central bank's strategy here is volatility management, not level defence," Banerjee said.

The rupee breaching the 95-mark marks a reversal of the gains made in late March and early April after the RBI acted to curb speculative bets against the currency. Economists have warned that India's Balance of Payments -- the balance of the trade deficit and capital inflows such as Foreign Direct Investment and remittances -- could be in the negative zone for a third straight year in 2026-27 and requires structural solutions.

"Exchange rate cannot be construed a shock absorbing mechanism in perpetuity, as increased levels of uncertainties and volatilities render it to transform into a pass-through mechanism of imported inflation seeping through multiple channels," Soumya Kanti Ghosh, SBI's Group Chief Economic Advisor, said in a note Wednesday. "It is thus imperative that a comprehensive set of measures are required given that BoP (Balance of Payments) could be negative for the third consecutive year."

Ghosh expects India's Balance of Payments to be (-)\$28 billion in 2026-27.