Government of Pakistan
Ministry of Planning, Development and Reform
Money, Prices and Fiscal Policy Section

Review of Consolidated Fiscal Operations (Q1-FY2019-20)

Revenue

Total revenue during the first quarter of 2019-20 stood at Rs. 1,489.1 billion, which is 35.1 percent higher than the total revenue of Rs. 1,102 billion collected during the corresponding period of last year. Tax revenue at Rs. 1,142.9 billion recorded a growth of 17.2 percent. Federal and provincial tax revenues recorded growths of 17.1 percent and 17.9 percent, respectively. Details of consolidated fiscal operations during the period under review is given at Annex-I.

FBR's tax collection at Rs. 964.4 billion recorded a growth of 15.9 percent which was contributed by growths in both direct and indirect taxes by 19.1 percent and 14 percent, respectively. The lower growth of indirect taxes was due to import compression as a result of depreciation of Pak rupee. Other heads of indirect taxes, i.e., sales tax and federal excise duty posted growths of 20.5 percent and 16.8 percent, respectively.

Non-FBR taxes also grew by 36.3 percent which was contributed by growths in ICT taxes and Petroleum Levy. Gas Infrastructure Development Cess and Natural Gas Development Surcharge recorded declines whereas Airport Tax stagnated. Within provincial taxes, property taxes, sales tax on services and stamp duties recorded growths whereas excise duties and motor vehicle tax posted declines.

Non-tax revenue at Rs. 346.1 billion registered a massive growth of 172.8 percent. Federal non-tax revenue grew by 180.7 percent mainly due to substantial increase in profits of PTA (on account of renew of 3G/4G licenses) and SBP profits. Provincial non-tax revenue also grew by 111.8 percent which is attributed to hydroelectricity profits (Rs.8 billion) and growth in other miscellaneous receipts.

The trend of last five first quarters' revenues in absolute terms and as percentage of GDP are depicted in Figure-1 and Figure-2, respectively. Total revenue had a steep rise in absolute terms and as percentage of GDP during Q1-FY-20 largely on account of a huge rise in non-tax revenue. FBR's revenue in terms of GDP ratio experienced stagnancy while overall tax revenue showed

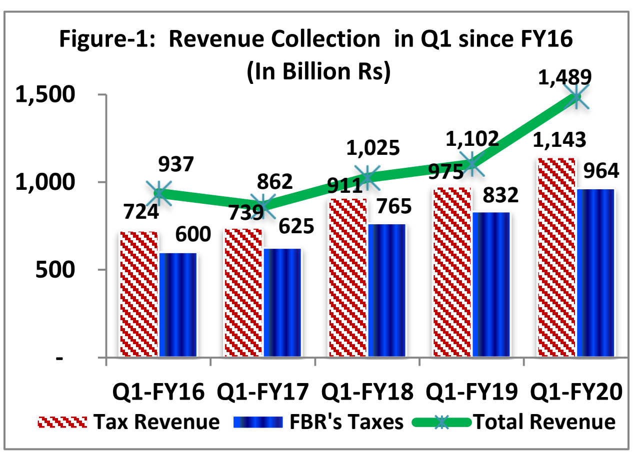

Figure-1: Revenue Collection in Q1 since FY16 (In Billion Rs)

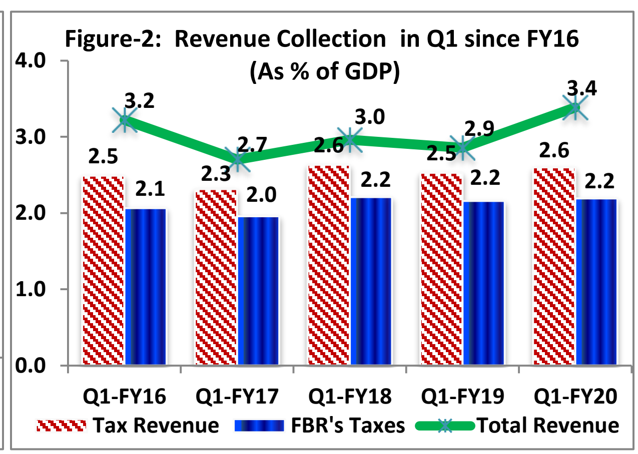

Figure-2: Revenue Collection in Q1 since FY16 (As % of GDP)

little improvement in Q1-FY20.

Source: Finance Division

Expenditure

Total expenditure during the period under review stood at 1,775.1 billion, registering a growth of 8 percent. The focus of the government was to target the growth-led expenditures. Consequently, development expenditure with an impressive growth of 30.5 percent outpaced the growth of current expenditure which remained 6.9 percent. PSDP spending recorded an impressive growth of 33.6 with growth in both federal PSDP and provincial ADPs expenditures by 41.1 percent and 26.7 percent, respectively. ADP spending of Khyber Pakhtunkhwa fell by 22.1 percent whereas those of Punjab, Sindh and Balochistan posted growths of 40.8 percent, 20.3 percent and 153.8 percent, respectively. On the other hand, other development or non-PSDP expenditure declined by 96 percent. Net lending to PSEs was recorded at Rs. 4.7 billion as compared to its retirement of Rs. 0.3 billion in Q1-FY19.

The trend of last five first quarters' expenditures in absolute terms and as percentage of GDP are depicted in Figure-3 and Figure-4, respectively. The curtailment of current expenditure during Q1-FY20 has reduced its ratio to GDP. On the other hand, development expenditure as percentage of GDP remained the same despite 30.5 percent growth in absolute terms.

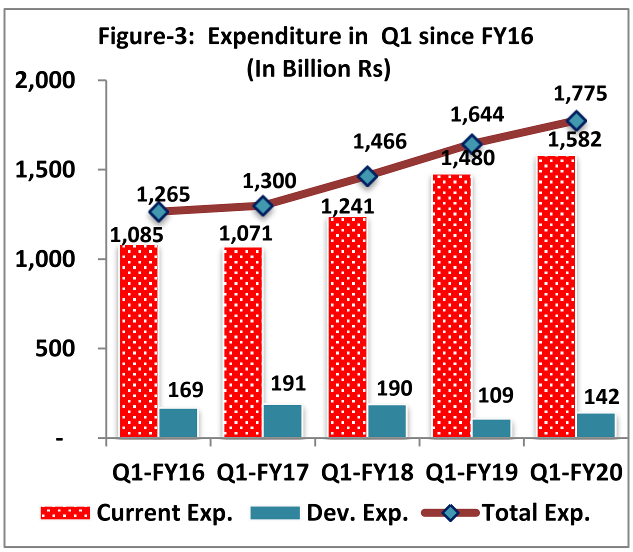

Figure-3: Expenditure in Q1 since FY16 (In Billion Rs)

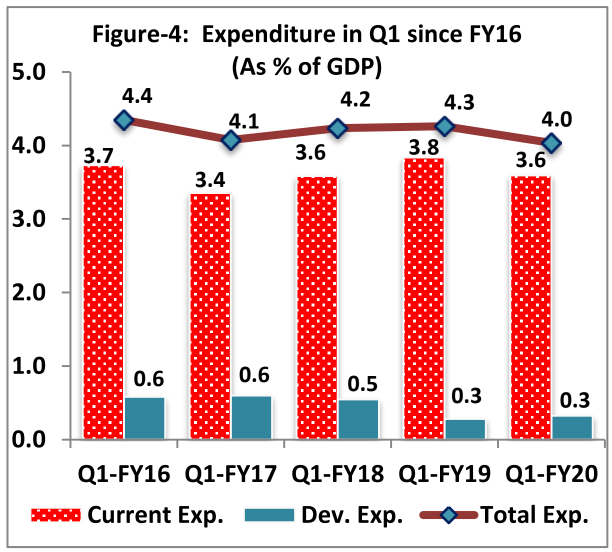

Figure-4: Expenditure in Q1 since FY16 (As % of GDP)

Source: Finance Division

Fiscal Deficit

Fiscal deficit during the period under review stood at Rs. 286 billion (0.6 percent of GDP) as compared to Rs. 541.7 billion (1.4 percent of GDP) during Q1-FY19.

The 1st quarter's trend of fiscal deficit as a percentage of GDP since FY16 is depicted in Figure-5. The lowest fiscal deficit of Q1-FY20 reflects a marked improvement in the beginning of the year which primarily owes to substantial rise in non-tax revenue and stringent control over current expenditure as a result of adoption of stabilization policy of fiscal consolidation

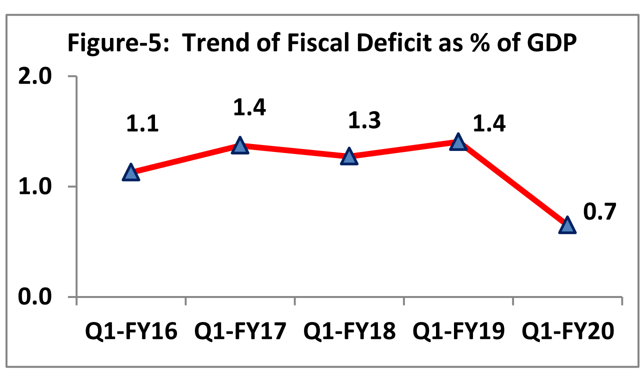

Figure-5: Trend of Fiscal Deficit as % of GDP

Primary balance (total revenue minus total expenditure excluding interest payments) recorded a surplus of Rs. 285.7 billion (0.6 percent of GDP) as compared to a deficit of Rs. 34.6 billion (0.1 percent of GDP) during Q1-FY19. It shows that a remarkable curtailment of non-interest current expenditures was ensured as per agreement with IMF. Revenue balance (total revenue minus current expenditure) which shows the government's savings or dis-savings, remained in deficit. However, this deficit decreased from Rs.377.8 billion in Q1-FY19 to Rs. 93.1 billion in Q1-FY20.

For financing of the fiscal deficit, the government relied more on external borrowing despite a decline of 21 percent in its volume. On the other hand, domestic borrowing plummeted more at 63.9 percent due to sizable debt retirement of Rs. 123 billion.

Public debt

The stock of gross public debt stood at Rs. 34,240.6 billion (77.8 percent of GDP) on September 30, 2019 as compared to Rs. 32,707.9 billion (84.8 percent of GDP) on June 30, 2019, registering a growth of 4.7 percent during the year. Public external debt posted a decline of 3.2 percent which is attributed to an appreciation of Pak Rupee as shown in Table-1. In dollar terms, public external debt (excluding foreign exchange liabilities) increased from US$73,448 million in June 2019 to US$73,795 million in September 2019.

Table-1: Pakistan's Public Debt Profile (September 2019)

	In Billion Rs.			As % of GDP	
	Jun-19^{R}	Sep-19^{P}	Percent Growth	Jun-19^{R}	Sep-19^{P}
Domestic Debt	20,731.8	22,649.9	9.3	53.8	51.5
External Debt	11,976.1	11,590.7	-3.2	31.1	26.3
Gross Public Debt	**32,707.9**	**34,240.6**	**4.7**	**84.8**	**77.8**
Total Debt of the Government*	**29,520.7**	**29,300.0**	**-0.7**	**76.6**	**66.6**
Memorandum Item	**FY19^{P}**	**FY20^{E}**			
GDP (Current Market Prices)	38,559	44,003**			
US$ last day weighted average exchange rate	163.1	156.3			

* As per Fiscal Responsibility and Debt Limitation Act (FRDLA) 2005, "Total Debt of the Government" means debt of the government (federal and provincial) serviced out of consolidated fund and debts owed to the International Monetary Fund (IMF) less accumulated deposits of the governments with the banking system.

** Finance Division's estimate.

Source: State Bank of Pakistan

Conclusion

During the first quarter of FY20, the government successfully contained fiscal deficit through various austerity measures, growths in tax and non-tax revenues (both federal and provincial) and a provincial surplus of 0.5 percent of GDP (Rs. 183 billion). A primary surplus in the first quarter has set the right foundation for achieving the annual primary deficit's target of 0.6 percent of GDP.

Based on the first quarter's fiscal performance, it is expected that the government might be able to contain fiscal deficit within the targeted range of 7.1 percent of GDP.

Annex-I

Consolidated Fiscal Operations (July-September 2019-20) (Provisional)

(Billion Rs)

	Q1-FY19	Q1-FY20	% Change	As % of GDP	
				Q1-FY19	Q1-FY20
Total Revenue	**1,102.1**	**1,489.1**	**35.1**	**2.9**	**3.4**
A) Tax Revenue	**975.2**	**1,142.9**	**17.2**	**2.5**	**2.6**
a) Federal	886.6	1,038.4	17.1	2.3	2.4
i) FBR's Tax Collection	832.3	964.4	15.9	2.2	2.2
- Direct Taxes	298.5	355.7	19.1	0.8	0.8
- Indirect Taxes	533.7	608.7	14.0	1.4	1.4
Customs Duties	156.5	155.6	-0.6	0.4	0.4
Sales Tax	335.1	403.9	20.5	0.9	0.9
Federal Excise Duty	42.1	49.2	16.8	0.1	0.1
ii) Other taxes	54.3	74.1	36.3	0.1	0.2
b) Provincial	88.6	104.5	17.9	0.2	0.2
B) Non-Tax Revenue	**126.9**	**346.1**	**172.8**	**0.3**	**0.8**
a) Federal	112.3	315.2	180.7	0.3	0.7
b) Provincial	14.6	30.9	111.8	0.0	0.1
Total Expenditure	**1,643.8**	**1,775.1**	**8.0**	**4.3**	**4.0**
A) Current Expenditure	**1,479.9**	**1,582.2**	**6.9**	**3.8**	**3.6**
a) Federal	999.3	1,069.7	7.1	2.6	2.4
- Markup Payments	507.1	571.7	12.7	1.3	1.3
Servicing of Domestic Debt	461.7	494.0	7.0	1.2	1.1
Servicing of Foreign Debt	45.3	77.6	71.3	0.1	0.2
- Defence	219.4	242.6	10.6	0.6	0.6
b) Provincial	480.7	512.4	6.6	1.2	1.2
B) Development Expenditure & Net Lending	**109.0**	**147.2**	**35.1**	**0.3**	**0.3**
a) Development Expenditure	109.2	142.5	30.5	0.3	0.3
i) PSDP	106.6	142.4	33.6	0.3	0.3
- Federal /1	50.9	71.8	41.1	0.1	0.2
- Provincial	55.7	70.6	26.7	0.1	0.2
ii) Other Development Expenditure	2.6	0.1	-96.0	0.0	0.0
b) Net Lending to PSEs	-0.3	4.7	-1945.7	0.0	0.0
Statistical Discrepancy	**54.9**	**45.8**	**-16.6**	**0.1**	**0.1**
Fiscal Deficit	**541.7**	**286.0**	**-47.2**	**1.4**	**0.7**
Financing	**541.7**	**286.0**	**-47.2**	**1.4**	**0.7**
a) External	210.8	166.5	-21.0	0.5	0.4
b) Domestic	330.9	119.5	-63.9	0.9	0.3
- Bank Borrowing	92.5	-123.0	-233.0	0.2	-0.3
- Non-Bank Borrowing	238.4	242.5	1.7	0.6	0.6
Primary Balance	-34.6	285.7	-925.2	-0.1	0.6
Revenue Balance	-377.8	-93.1	-75.4	-1.0	-0.2
Gross Federal Receipts	1,003.1	1,359.7	35.6	2.6	3.1
Transfers to Provinces	662.9	612.5	-7.6	1.7	1.4
Net Federal Receipts	340.2	747.2	119.6	0.9	1.7
Federal Deficit /2	738.4	475.0	-35.7	1.9	1.1
Provincial Surplus /3	196.7	189.0	-4.0	0.5	0.4
GDP (current market prices) /4	***38,559***	***44,003***			

1. Excludes development grants to provinces
2. & 3. In terms of financing
4. Finance Division's estimate of GDP for FY20

Source: Finance Division