Government of Pakistan
Ministry of Planning, Development and Special Initiatives
(Money, Prices and Fiscal Policy Section)

Review of Consolidated Fiscal Operations (July-December FY2019-20)

Revenue

Total revenue during the first half of 2019-20 stood at Rs. 3,231.9 billion, posting 38.9 percent over total revenue of Rs. 2,327.1 billion of the corresponding period of last year. Tax revenue at Rs. 2,465.2 billion recorded a growth of 18.4 percent. Federal and provincial tax revenues recorded growths of 18.8 percent and 14.2 percent, respectively. Details of consolidated fiscal operations during the period under review are given at Annex-I.

FBR's tax collection at Rs. 2,093.4 billion recorded a growth of 16.6 percent which was contributed by matching growths of 16.6 percent in both direct and indirect taxes. Within indirect taxes, collection of customs duties declined by 2.3 percent due to compression of imports including food items, petroleum products, textiles, metals, chemicals, machinery and vehicles, etc. Other indirect taxes, i.e., sales tax and federal excise duty posted growths of 23.9 percent and 30.3 percent, respectively.

Non-FBR taxes registered an impressive growth of 58.5 percent which was primarily contributed by growth in ICT taxes and petroleum development levy. 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. 766.7 billion registered a massive growth of 213.4 percent. Federal non-tax revenue grew by 228.2 percent mainly due to substantial increase in profits of PTA and SBP. Provincial non-tax revenue also grew by 104.8 percent which is primarily attributed to growth in hydroelectricity profits.

Expenditure

Total expenditure during the period under review stood at 4226.6 billion, registering a growth of 26 percent. Development expenditure with a growth of 28.8 percent outpaced the growth of current expenditure which was 24.7 percent. PSDP spending recorded an impressive growth of 39.2 with growth in both federal PSDP and provincial ADPs expenditures (48 percent and 30.8 percent, respectively. ADP spending of Khyber Pakhtunkhwa fell by 11.2 percent whereas those of Punjab, Sindh and Balochistan posted growths of 55.8 percent, 10.6 percent and 167.8 percent, respectively. Other development or non-PSDP expenditure declined by 75.3 percent. Net lending to PSEs recorded a growth of 0.3 percent.

Fiscal Deficit

Fiscal deficit during the period under review stood at Rs. 994.7 billion (2.3 percent of GDP) as compared to Rs. 1,029.9 billion (2.7 percent of GDP) during H1-FY19.

Primary balance (total revenue minus total expenditure excluding interest payments) recorded a surplus of Rs. 286.5 billion (0.7 percent of GDP) as compared to a deficit of Rs. 153.2 billion (0.4 percent of GDP) during H1-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.657.3 billion (1.7 percent of GDP) to Rs. 489.4 billion (1.1 percent of GD).

For financing of the fiscal deficit, the government relied more on external borrowing which grew by 135.6 percent. On the other hand, domestic borrowing plummeted by 40.7 percent due to 92.8 percent contraction in bank borrowing.

Public debt

The stock of gross public debt stood at Rs. 33,712 billion on December 31, 2019 as compared to Rs. 32,708 billion on June 30, 2019, posting a growth of 3.1 percent during the period under review. Public external debt recorded a low growth of 0.5 percent on account of an appreciation of Pak Rupee as shown in Table-1. In dollar terms, public external debt (excluding foreign exchange liabilities) increased from US$ 73.4 billion in June 2019 to US$ 76.1 billion in December 2019.

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

	In Billion Rs.			**As % of GDP**	
	Jun-19^{R}	**Dec-19^{P}**	**% Growth**	**Jun-19^{R}**	**Dec-19^{P}**
Domestic Debt	20,731.8	21,676.4	4.6	53.8	49.3
External Debt	11,976.1	12,035.3	0.5	31.1	27.4
Gross Public Debt	**32,707.9**	**33,711.7**	3.1	84.8	76.6
Total Debt of the Government*	**29,520.7**	**29,969.3**	1.5	76.6	68.1
Memorandum Items	**FY19^{P}**	**FY20^{E}**			
GDP (Current Market Prices)	38,559	44,003**			
US$ last day weighted average exchange rate	163.1	154.9			

* 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

Besides higher revenue growth, a higher provincial surplus accounted for the lower consolidated fiscal deficit. The government was able to generate a primary surplus of 0.7 percent of GDP through curtailment of non-interest current expenditures.

Using CPIs of H1-FY19 and H1-FY20, the real growth of total revenue was calculated to be 24.3 percent as compared to its nominal growth of 38.9 percent, reflecting a higher rate of inflation during the period under review. Similarly, the real growth of tax revenue remained lower at 6 percent as compared to its nominal growth of 18.4 percent.

FBR has been experiencing revenue shortfalls during the current fiscal year. During the first half of this year, it could achieve 40 percent of the revised annual target of Rs. 5.238 trillion and also missed the half yearly target of Rs. 2.198 trillion.

Annex-I

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

(Billion Rs)

	H1-FY19	H1-FY20	% Change	As % of GDP	
				H1-FY19	H1-FY20
Total Revenue	**2,327.1**	**3,231.9**	**38.9**	**6.0**	**7.3**
A) Tax Revenue	**2,082.5**	**2,465.2**	**18.4**	**5.4**	**5.6**
a) Federal	1,894.7	2,250.8	18.8	4.9	5.1
i) FBR's Taxes	1,795.4	2,093.4	16.6	4.7	4.8
- Direct Taxes	672.6	784.4	16.6	1.7	1.8
- Indirect Taxes	1,122.8	1,309.1	16.6	2.9	3.0
Customs Duties	335.8	328.1	-2.3	0.9	0.7
Sales Tax	693.2	858.7	23.9	1.8	2.0
Federal Excise Duty	93.8	122.3	30.3	0.2	0.3
ii) Other Taxes	99.3	157.4	58.5	0.3	0.4
b) Provincial	187.8	214.4	14.2	0.5	0.5
B) Non-Tax Revenue	**244.6**	**766.7**	**213.4**	**0.6**	**1.7**
a) Federal	215.4	706.8	228.2	0.6	1.6
b) Provincial	29.3	59.9	104.8	0.1	0.1
Total Expenditure	**3,357.0**	**4,226.6**	**25.9**	**8.7**	**9.6**
A) Current Expenditure	**2,984.4**	**3,721.4**	**24.7**	**7.7**	**8.5**
a) Federal	1,936.2	2,593.0	33.9	5.0	5.9
- Markup Payments	876.7	1,281.2	46.1	2.3	2.9
- Servicing of Domestic Debt	752.1	1,120.7	49.0	2.0	2.5
- Servicing of Foreign Debt	124.6	160.5	28.8	0.3	0.4
- Defence	479.6	529.5	10.4	1.2	1.2
b) Provincial	1,048.2	1,128.4	7.6	2.7	2.6
B) Development Expenditure & Net Lending	**369.4**	**473.3**	**28.1**	**1.0**	**1.1**
a) Development Expenditure	361.1	464.9	28.8	0.9	1.1
i) PSDP	328.2	456.8	39.2	0.9	1.0
- Federal /1	160.5	237.5	48.0	0.4	0.5
- Provincial	167.7	219.4	30.8	0.4	0.5
ii) Other Development Expenditure	32.9	8.1	-75.3	0.1	0.0
b) Net Lending to PSEs	8.3	8.3	0.3	0.0	0.0
Statistical Discrepancy	**3.2**	**32.0**	**884.9**	**0.0**	**0.1**
Fiscal Deficit	**1,029.9**	**994.7**	**-3.4**	**2.7**	**2.3**
Financing	1,029.9	994.7	**-3.4**	**2.7**	**2.3**
a) External	218.0	513.6	135.6	0.6	1.2
b) Domestic	811.9	481.1	-40.7	2.1	1.1
- Bank Borrowing	577.6	41.7	-92.8	1.5	0.1
- Non-Bank Borrowing	234.4	439.4	87.5	0.6	1.0
Memo Items					
Primary Balance	-153.2	286.5	-287.0	-0.4	0.7
Revenue Balance	-657.3	-489.4	-25.5	-1.7	-1.1
Gross Federal Receipts	2,118.5	2,969.6	40.2	5.5	6.7
Transfers to Provinces	1,199.3	1,325.8	10.5	3.1	3.0
Net Federal Receipts	919.2	1,643.8	78.8	2.4	3.7
Federal Deficit /2	1,303.1	1,343.1	3.1	3.4	3.1
Provincial Surplus /3	273.2	348.4	27.5	0.7	0.8
GDP (current market prices)/4	***38,559***	***44,003***			

1. Net excluding development grants to the provinces (Rs. 22.766 billion in H1-FY19; Rs. 38.592 billion in H1-FY20)
2. & 3. In terms of financing
4. Finance Division's estimate of GDP for FY20

Source: Finance Division