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

Review of Consolidated Fiscal Operations (Q3-FY2019-20)

Total revenue for 2019-20 was budgeted at 16.7 percent of GDP as compared to 12.9 percent of GDP (actual) in 2018-19. Total expenditure was estimated at 23.8 percent of GDP as compared to 22 percent of GDP in 2018-19. Fiscal deficit was estimated at 7.1 percent of GDP as compared to 9.1 percent of GDP in 2018-19.

Fiscal performance during July-March 2019-20 remained on track as fiscal deficit was confined to 4 percent of GDP as a result of a significant growth in total revenue (both tax and non-tax revenues) and curtailment of current expenditure. A summary of consolidated fiscal operations is given at Table-1 whereas their details are at Annex-I.

Table-1: Consolidated Fiscal Operations (July-March 2019-20)

(Rs billion)

	Jul-Mar 2018-19	Jul-Mar 2019-20	Percent Change	As Percent of GDP	
				Jul-Mar 2018-19	Jul-Mar 2019-20
Total Revenue	**3,583.7**	**4,689.9**	**30.9**	**9.4**	**11.2**
a. Tax Revenue	3,162.1	3,594.3	13.7	8.3	8.6
b. Non-Tax Revenue	421.6	1,095.6	159.9	1.1	2.6
Total Expenditure	**5,506.2**	**6,376.1**	**15.8**	**14.5**	**15.3**
a. Current	4,798.4	5,611.6	16.9	12.6	13.4
b. Development	655.9	751.7	14.6	1.7	1.8
Fiscal Deficit	**1,922.5**	**1,686.2**	**-12.3**	**5.1**	**4.0**
GDP (Current Market Prices)	**37,972**	**41,727***			

* *Provisional*
Source: *Finance Division*

Revenue

Total revenue during July-March 2019-20 stood at Rs4,689.9 billion, posting 30.9 percent growth over total revenue of Rs3,583.7 billion during the corresponding period of last year. Tax revenue at Rs3,594.3 billion recorded a growth of 13.7 percent. Federal and provincial tax revenues recorded growth of 13.9 percent and 11.6 percent, respectively.

FBR collected Rs3,044.3 billion during the period under review with a growth of 12.6 percent which was contributed by growth of 14.9 percent and 11.2 percent in direct and indirect taxes, respectively. Within indirect taxes, collection of customs duties declined by 6.5 percent whereas sales tax and federal excise duty posted growth of 18.5 percent and 20 percent, respectively. FBR tax collection for 2019-20 was originally targeted at Rs5,555 billion which was later on revised down to Rs3,908 billion after realizing continuous shortfalls and anticipating a revenue loss due to COVID-19 disruptions. The slowdown in revenue is attributed to substantial compression in imports, decline in sales of automobiles, overall economic slowdown and lockdown / suspension of economic activities in late third quarter.

Other federal taxes registered an impressive growth of 34.7 percent which was driven by growth in ICT taxes, Natural Gas Development Surcharge and Petroleum Development Levy. Within provincial taxes, property taxes, sales tax on services and stamp duties grew whereas excise duties and motor vehicle tax declined.

Non-tax revenue during July-March 2019-20 stood at Rs1,095.6 billion, registering a phenomenal growth of 159.9 percent. Federal non-tax revenue grew by 185.1 percent mainly due to substantial increase in mark-up (PSEs and others), profits of PTA (renewal licences fee) and SBP profits on the back of higher interest on large holding of government securities and stable rupee value. Provincial non-tax revenue grew by 21.9 percent which is primarily attributed to growth in hydroelectricity profits transferred by the federal government, revenue from irrigation sector and other miscellaneous heads.

Expenditure

Total expenditure during July-March 2019-20 stood at Rs6,376.1 billion, registering an increase of 15.8 percent. Current expenditure grew by 16.9 percent with growth in both federal and provincial current expenditures by 22.2 percent and 6.6 percent, respectively. Federal current spending surged mainly due to 28.8 percent increase in debt servicing, 59.9 percent increase in current grants (other than provinces) and switch of BISP spending to current side from development side during 2019-20. Development expenditure recorded a growth of 14.6 percent. PSDP spending recorded an impressive growth of 24.9 percent with growth in both federal PSDP and provincial ADPs expenditures by 12.6 percent and 38.4 percent, respectively. At federal level during 2019-20, project approval process and funds release procedure were further simplified and made swift by increasing limits of approving forums and quarterly advance releases.

Fiscal deficit

Fiscal deficit during July-March 2019-20 was contained at Rs1,686.2 billion (4 percent of GDP) as compared to Rs1,922.5 billion (5.1 percent of GDP) during the same period of last year. Federal fiscal deficit stood at Rs2,080.3 billion (5.0 percent of GDP) whereas provinces posted a surplus of Rs394.1 billion (0.9 percent of GDP). Fiscal deficit for 2019-20 is estimated to be above 9 percent of GDP in the wake of expected steep fall in revenue collection in last quarter and elevated current expenditure to provide relief and combat the COVID-19 pandemic. FBR anticipated a revenue shortfall of around Rs900 billion due to suspension of economic activities. Moreover, the relief package of tax incentives for construction sector announced will impact revenue collection. The cut in policy rate will reduce debt servicing burden; however, SBP profits earning speed may slow down partially. Unprecedented fall in crude oil price may also impact revenues.

In order to deal with the aftermaths of COVID-19 pandemic, large allocations were made for spending on health, relief and social protection. In this regard, the federal government announced a fiscal stimulus package of Rs1.24 trillion for emergency response, support to businesses and relief to citizens. The federal government also announced relief packages for construction and agriculture sectors and a subsidy of Rs30 billion under Naya Pakistan Housing Scheme. The provincial governments also announced relief packages for vulnerable people and exemption in taxes.

Public Debt

The stock of gross public debt stood at Rs35,207 billion on 31st March 2020 as compared to Rs32,707.9 billion on 30th June 2019, posting a growth of 7.6 percent during the period under review. Domestic debt increased by 8.4 percent whereas external debt, in rupee terms, recorded an increase of 6.3 percent. In dollar terms, public external debt (excluding foreign exchange liabilities) increased from US$ 73.4 billion in June 2019 to US$ 75.1 billion in March 2020.

Table-2: Pakistan's Public Debt (March 2020)

	Rs billion			As percent of GDP	
	Jun-19^R	Mar-20^P	Percent Growth	Jun-19	Mar-20
Domestic Debt	20,731.8	22,477.7	8.4	54.6	53.9
External Debt	11,976.1	12,729.4	6.3	31.5	30.5
Gross Public Debt	32,707.9	35,207.0	7.6	86.1	84.4
Total Debt of the Government	29,520.7	31,452.4	6.5	77.7	75.4
Memorandum Items	**FY19**	**FY20**			
GDP (Current Market Prices)	37,972	41,727*			
US$ last day weighted avg. exchange rate	163.1	166.4			

* *Provisional*

Source: *State Bank of Pakistan*

Annex-I

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

(Rs billion)

	Jul-Mar 2018-19	Jul-Mar 2019-20	Percent Change	As Percent of GDP	
				Jul-Mar 2018-19	Jul-Mar 2019-20
Total Revenue	**3,583.7**	**4,689.9**	**30.9**	**9.4**	**11.2**
A) Tax Revenue	**3,162.1**	**3,594.3**	**13.7**	**8.3**	**8.6**
a) Federal	2,874.4	3,273.1	13.9	7.6	7.8
i) FBR Taxes	2,704.5	3,044.3	12.6	7.1	7.3
- Direct Taxes	997.4	1,146.1	14.9	2.6	2.7
- Indirect Taxes	1,707.1	1,898.2	11.2	4.5	4.5
Customs Duties	507.2	474.1	-6.5	1.3	1.1
Sales Tax	1,048.5	1,242.3	18.5	2.8	3.0
Federal Excise Duty	151.5	181.8	20.0	0.4	0.4
ii) Other Taxes	169.9	228.8	34.7	0.4	0.5
b) Provincial	287.7	321.2	11.6	0.8	0.8
B) Non-Tax Revenue	**421.6**	**1,095.6**	**159.9**	**1.1**	**2.6**
a) Federal	356.3	1,015.9	185.1	0.9	2.4
b) Provincial	65.3	79.6	21.9	0.1	0.2
Total Expenditure	**5,506.2**	**6,376.1**	**15.8**	**14.5**	**15.3**
A) Current Expenditure	**4,798.4**	**5,611.6**	**16.9**	**12.6**	**13.4**
a) Federal	3,180.9	3,887.7	22.2	8.4	9.3
- Mark-up Payments	1,459.2	1,879.7	28.8	3.8	4.5
- Servicing of Domestic Debt	1,276.8	1,645.6	28.9	3.4	3.9
- Servicing of Foreign Debt	182.4	234.1	28.3	0.5	0.6
- Defence	774.7	802.4	3.6	2.0	1.9
b) Provincial	1,617.4	1,723.9	6.6	4.3	4.1
B) Development Exp. & Net Lending	**684.2**	**781.4**	**14.2**	**1.8**	**1.9**
a) Development Expenditure	655.9	751.7	14.6	1.7	1.8
i) PSDP	578.5	722.5	24.9	1.5	1.7
- Federal	302.4	340.5	12.6	0.8	0.8
- Provincial	276.0	382.0	38.4	0.7	0.9
ii) Other Development Expenditure	77.4	29.2	-62.2	0.2	0.1
b) Net Lending to PSEs	28.3	29.7	4.9	0.1	0.1
Statistical Discrepancy	**23.7**	**-16.9**	**-**	**-**	**-**
Fiscal Deficit	**1,922.5**	**1,686.2**	**-12.3**	**5.1**	**4.0**
Financing	**1,922.5**	**1,686.2**	**-12.3**	**5.1**	**4.0**
a) External	524.5	682.4	30.1	1.4	1.6
b) Domestic	1,398.0	1,003.8	-28.2	3.7	2.4
- Bank Borrowing	787.7	601.8	-23.6	2.1	1.4
- Non-Bank Borrowing	610.4	402.0	-34.1	1.6	1.0
Primary Balance	-463.3	193.5	-	-1.2	0.5
Revenue Balance	-1,214.6	-921.7	-	-3.2	-2.2
Gross Federal Receipts	3,243.3	4,307.0	32.8	8.5	10.3
Transfers to Provinces	1,779.1	1,931.6	8.6	4.7	4.6
Net Federal Receipts	1,464.2	2,375.4	62.2	3.9	5.7
Federal Deficit	2,214.1	2,080.3	-6.0	5.8	5.0
Provincial Surplus	291.6	394.1	35.2	0.8	0.9
GDP (Current Market Prices)	**37,972**	**41,727***			

** Provisional*

Source: *Finance Division*