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

Review of Consolidated Fiscal Operations (July-December 2020-21)

Revenue

Total revenue during July-December 2020-21 stood at Rs. 3,351.2 billion, registering a growth of 3.7 percent over total revenue of Rs. 3,231.9 billion registered in corresponding period of last year.

Table-1: Budget Estimates of Major Fiscal Indicators (FY2020-21)

(Percent of GDP)

Indicator	Budget Estimate 2020-21	Jul-Dec 2020-21
Total Revenue	**15.9**	**7.4**
a. Tax	13.2	5.4
- FBR Taxes	10.9	4.9
b. Non-Tax	2.8	2.0
Total Expenditure	**22.9**	**9.9**
a. Current	20.0	8.8
b. Development	2.9	0.9
Fiscal Deficit	**7.0**	**2.5**

Source: Finance Division

Tax revenue at Rs. 2,455.9 billion recorded a decline of 0.4 percent. FBR tax collection grew by 5.6 percent with growth in both direct and indirect taxes by 5.9 percent and 5.4 percent, respectively. Within indirect taxes, customs duties, sales tax and federal excise duty recorded growth of 3 percent, 6.9 percent and 0.8 percent, respectively. Provincial tax revenue recorded a growth of 14.7 percent which was mainly contributed by growth in GST on services and motor vehicle tax.

Non-tax revenue at Rs. 895.3 billion recorded a growth of 16.8 percent. Federal non-tax revenue grew by 20 percent due to growth in mark-up (PSEs & others), defence receipts and shifting of ICT taxes, Gas Infrastructure Development Cess, Natural Gas Development Surcharge and Petroleum Levy from tax revenue to non-tax tax revenue. This shifting was also the cause of decline in tax revenue. Provincial non-tax revenue recorded a decline of 21.2 percent mainly due to decline in hydel power profits.

A summary of consolidated fiscal operations during July-December 2020-21 is given in Table-2 whereas their details are at Annex-I.

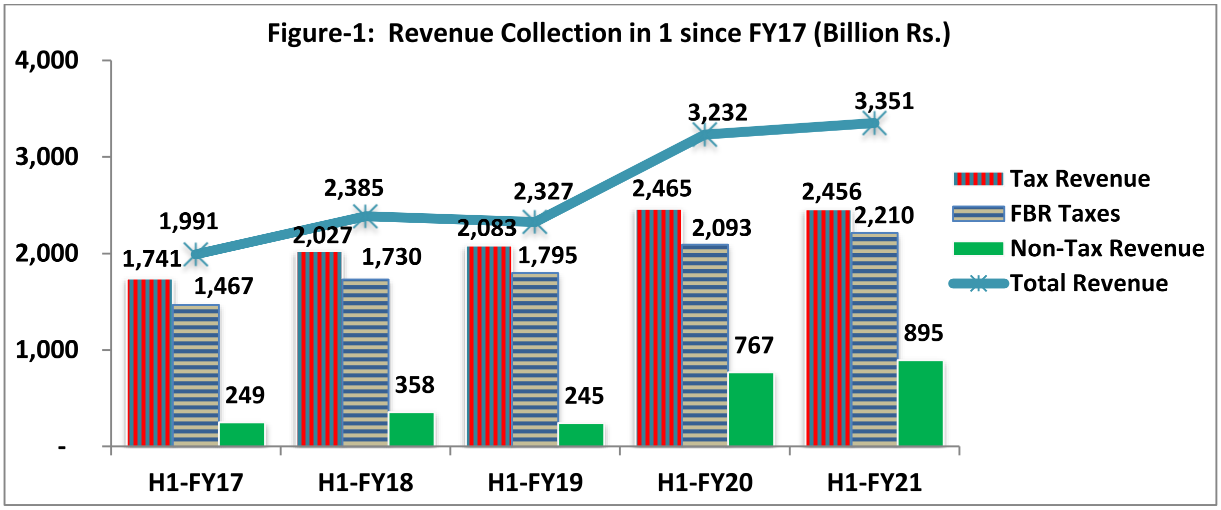
Table-2: Summary of Consolidated Fiscal Operations (July-December 2020-21)

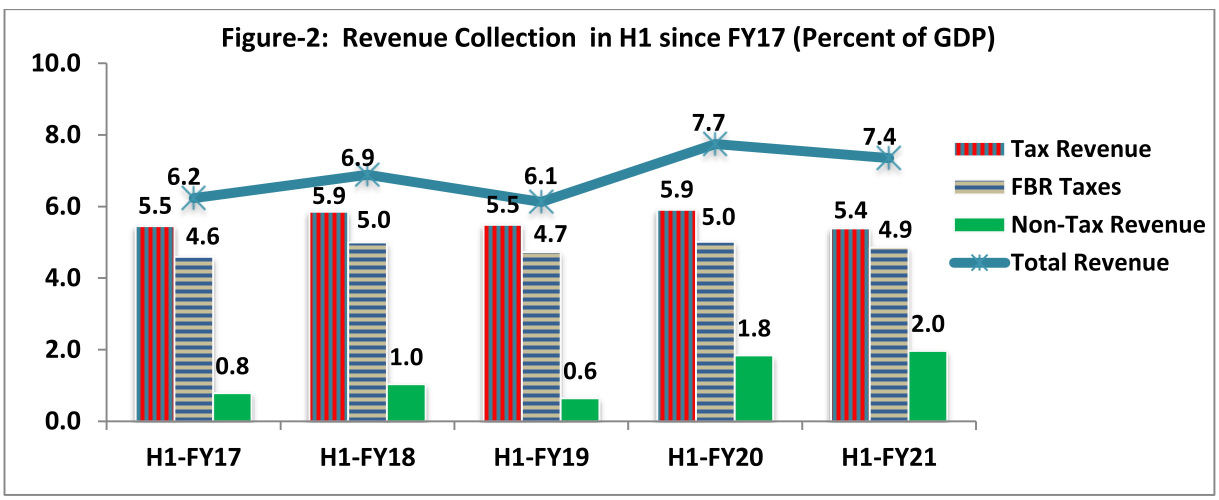
(Billion Rs.)

Indicator	July-December 2019-20	July-December 2020-21	Percent Growth
Total Revenue	**3,231.9**	**3,351.2**	**3.7**
a. Tax Revenue	2,465.2	2,455.9	-0.4
- FBR Taxes	2,093.4	2,210.0	5.6
b. Non-Tax Revenue	**766.7**	**895.3**	16.8
Total Expenditure	**4,226.6**	**4,489.1**	**6.2**
a. Current Expenditure	3,721.4	4,029.3	8.3
b. Development Expenditure	464.9	414.1	-10.9
Fiscal Deficit	**994.7**	**1,137.9**	**14.4**

Source: Finance Division

The trends of revenue in absolute terms and as percentage of GDP during first half of last five years are depicted in Figure-1 and Figure-2. Total revenue experienced a dip in H-FY19 due to low growth of FBR taxes and a decline in non-tax revenue. A significant improvement in revenue was witnessed in H1-FY20 due to higher growth in FBR taxes and phenomenal growth in non-tax revenue (this upsurge owed mainly to record surplus profits of State Bank of Pakistan and receipts of outstanding cellular 3G/4G licenses renewal). Tax-to-GDP ratio had improved in H-FY20 but declined in H1-FY21 due to shifting of aforementioned revenue heads from tax to non-tax revenue.





Source: Finance Division

Expenditure

Total expenditure during July-December 2020-21 stood at Rs. 4,489.1 billion, registering a growth of 6.2 percent. Current expenditure grew by 8.3 percent whereas development expenditure decreased by 10.9 percent due to 26.1 percent fall in spending under federal Public Sector Development Programme (PSDP). On the other hand, provincial Annual Development Programmes (ADPs) spending (combined) posted a growth of 3.8 percent. ADPs expenditures of Punjab and Sindh declined by 6.6 percent and 4.4 percent, respectively while those of Khyber Pakhtunkhwa and Balochistan increased by 37.4 percent and 29.5 percent, respectively. Other development (non-PSDP) expenditure posted a growth of 35.4 percent. Net lending to Public Sector Enterprises (PSEs) increased from Rs. 8.3 billion to Rs. 43.7 billion (424.9 percent growth).

The trends of expenditure in absolute terms and as percentage of GDP during first half of last five years are depicted in Figure-3 and Figure-4. Current expenditure had a steadily increasing trend with a steep rise in H-FY20 whereas development expenditure decreased considerably during last three years in a bid to curtail fiscal deficit. In terms of GDP ratios, current expenditure experienced a sharp rise in H1-FY20 while development expenditure deteriorated in recent past.

Figure-3: Expenditure in H1 since FY17 (Billion Rs)

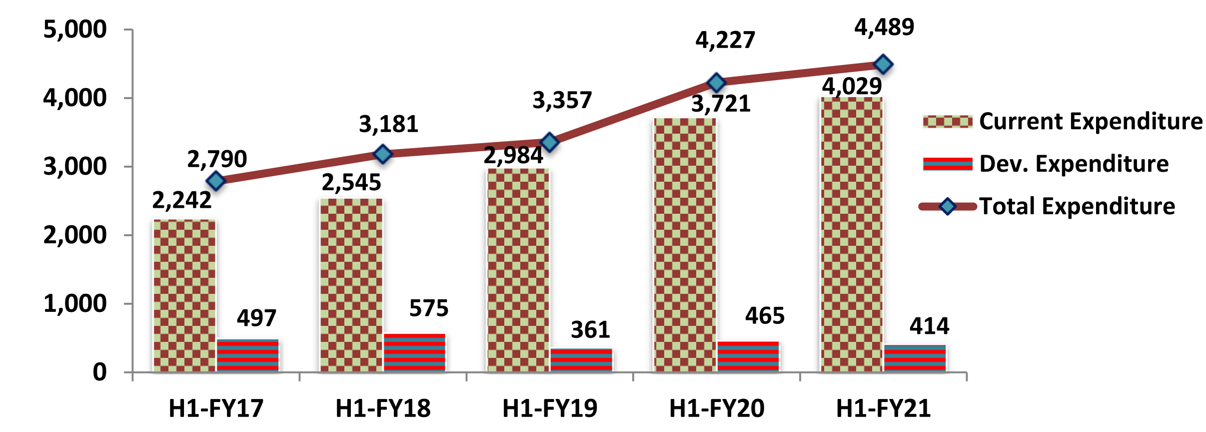
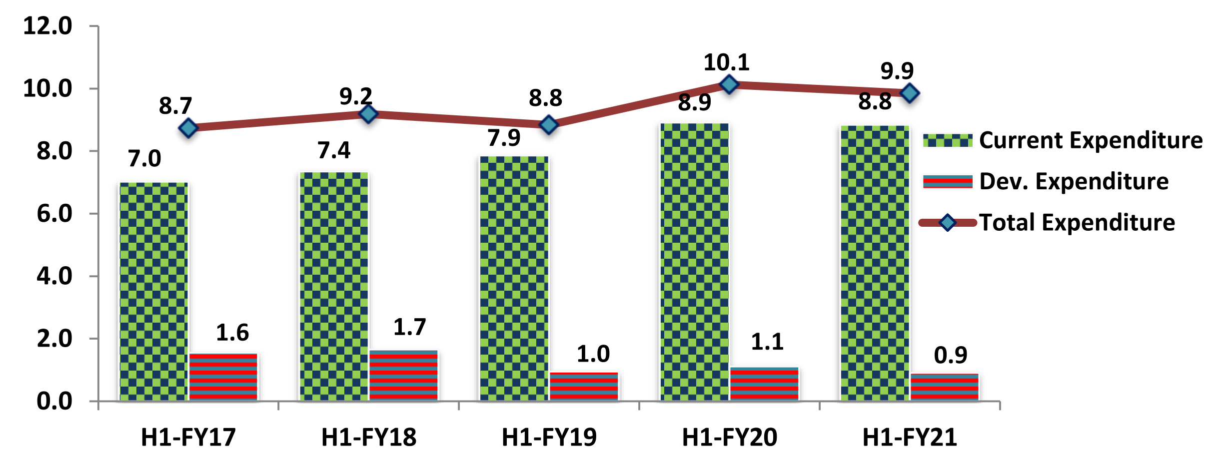


Figure-4: Expenditure in H1 since FY17 (Percent of GDP)



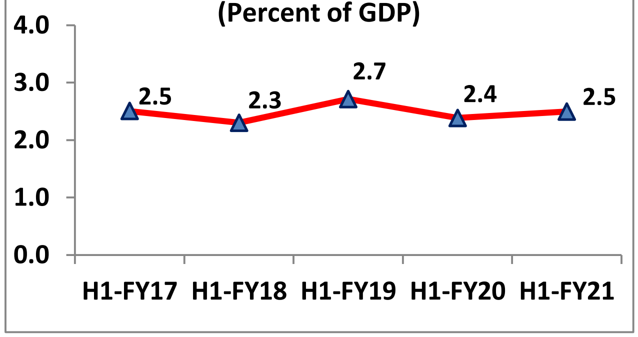
Source: Finance Division

Fiscal Deficit

Fiscal deficit during H1-FY21 stood at Rs. 1,137.9 billion (2.5 percent of GDP) as compared to Rs. 994.7 billion (2.4 percent of GDP) during H1-FY20. Federal deficit stood at Rs. 1,393 billion (3.1 percent of GDP) whereas provincial surplus stood at Rs. 255.1 billion (0.6 percent of GDP) during H1-FY21.

The trend of fiscal deficit in first half of last five years is depicted in Figure-5, which shows that fiscal deficit had widened in H1-FY19 but fell in H1 of FY20 and FY21.

Figure-5: Fiscal Deficit in H1 since FY17 (Percent of GDP)



Source: Finance Division

Primary balance (total revenue minus total expenditure excluding mark-up payments) registered a surplus with an improvement from Rs. 286.5 billion in H1-FY20 to Rs. 337.2 billion in H1-FY21. As a ratio of GDP, it remained at the same level of 0.7 percent. Revenue balance (total revenue minus current expenditure) which shows the government's savings or dis-savings, was recorded in a deficit with deterioration from the deficit of Rs. 489.4 billion in H1-FY20 to Rs. 678.2 billion in H1-FY21. As a percentage of GDP, this deficit rose from 1.2 percent to 1.5 percent.

For financing of overall fiscal deficit, the government relied more on domestic borrowing to the tune of Rs. 683.5 billion, which registered a growth of 42.1 percent. External borrowing at Rs. 454.4 billion recorded a decline of 11.5 percent. Within domestic resources, bank and non-bank borrowings stood at Rs. 551.3 billion and Rs. 132.2 billion, respectively.

Conclusion

Fiscal deficit has been targeted at 7.0 percent of GDP for 2020-21. The progress of fiscal indicators during the period under review shows that fiscal performance remained on track. However, the decline in federal PSDP is not a healthy sign for the economy. Current expenditure was mainly driven by mark-up payments, defence spending and grants (other than those provided to the provinces). Mark-up payments and defence spending together constituted 48.7% of current expenditure and 43.7 percent of total expenditure (48.7 percent and 42.8 percent, respectively in H1-FY20).

FBR's tax collection has been targeted at Rs. 4,963 billion for 2020-21. The tax collection performance of FBR during the first half of the year indicates that this target would be achieved.

Prior to 2020-21, Gas Infrastructure Development Cess, Natural Gas Development Surcharge, Petroleum Levy and ICT taxes were part of tax revenue. During the period under review, revenue from these heads stood at Rs. 306.1 billion as compared to Rs. 157.4 billion in H1-FY20. If these heads were not shifted from tax revenue, there would have been 12 percent growth in tax revenue and 23.3 percent decline in non-tax revenue. Tax revenue would have been 6.1 percent of GDP instead of 5.4 percent.

Annex-I

Consolidated Fiscal Operations (July-December 2020-21) (Provisional)

(Billion Rs)

	July-December 2019-20	July-December 2020-21	Percent Change	As Percent of GDP	
				July-December 2019-20	July-December 2020-21
Total Revenue	**3,231.9**	**3,351.2**	**3.7**	**7.7**	**7.4**
A) Tax Revenue	**2,465.2**	**2,455.9**	**-0.4**	**5.9**	**5.4**
a) Federal	2,250.8	2,210.0	-1.8	5.4	4.9
i) FBR Taxes	2,093.4	2,210.0	5.6	5.0	4.9
- Direct Taxes	784	830.8	5.9	1.9	1.8
- Indirect Taxes	1,309.1	1,379.2	5.4	3.1	3.0
Customs Duties	328	337.9	3.0	0.8	0.7
Sales Tax	859	918.1	6.9	2.1	2.0
Federal Excise Duty	122	123.2	0.8	0.3	0.3
ii) Other Taxes	157.4	-	-	0.4	-
b) Provincial	214.4	245.9	14.7	0.5	0.5
B) Non-Tax Revenue	**766.7**	**895.3**	**16.8**	**1.8**	**2.0**
a) Federal	706.8	848.0	20.0	1.7	1.9
- Mark-up (PSEs & Others)	27.4	44.0	60.3	0.1	0.1
- Dividend	26.2	11.9	-54.7	0.1	0.1
- Profits of Post Office/Regulatory Authorities including PTA	112.1	18.6	-83.4	0.3	0.0
- Surplus Profit of SBP	426.5	372.5	-12.7	1.0	0.0
- Defence Receipts	6.5	6.5	0.7	0.0	0.8
- Passport Fee	11.4	7.0	-39.0	0.0	0.0
- Discount Retained on Crude Oil Price	7.2	4.3	-39.9	0.0	0.0
- Royalties on Oil/Gas	43.8	35.1	-19.8	0.1	0.1
- Windfall Levy against Crude Oil	3.3	0.7	-77.1	0.0	0.0
- Petroleum Levy on LPG	1.7	1.7	-2.1	0.0	0.0
- Others	40.7	345.7	750.1	0.1	0.8
b) Provincial	59.9	47.2	-21.2	0.1	0.1
Total Expenditure	**4,226.6**	**4,489.1**	**6.2**	**10.1**	**9.9**
A) Current Expenditure	**3,721.4**	**4,029.3**	**8.3**	**8.9**	**8.8**
a) Federal	2,593.0	2,762	6.5	6.2	6.1
- Markup Payments	1,281.2	1,475.2	15.1	3.1	3.2
- Servicing of Domestic Debt	1,120.7	1,357.0	21.1	2.7	3.0
- Servicing of Foreign Debt	160.5	118.2	-26.4	0.4	0.3
- Defence	529.5	486.6	-8.1	1.3	1.1
- Grants (Other than Provinces)	239.6	265.2	10.7	0.6	0.6
b) Provincial	1,128.4	1,267.5	12.3	2.7	2.8
B) Development Expenditure & Net Lending	**473.3**	**457.9**	**-3.3**	**1.1**	**1.0**
a) Development Expenditure	464.9	414.1	-10.9	1.1	0.9

i) PSDP	456.8	403.1	-11.8	1.1	0.9
- Federal*	237.5	175.5	-26.1	0.6	0.4
- Provincial	219.4	227.7	3.8	0.5	0.5
ii) Other Development Expenditure	8.1	11.0	35.4	0.0	0.0
b) Net Lending to PSEs	8.3	43.7	424.9	0.0	0.1
Statistical Discrepancy	**32.0**	**1.9**	**-94.1**	**0.1**	**0.0**
Fiscal Deficit	**994.7**	**1,137.9**	**14.4**	**2.4**	**2.5**
Financing	994.7	1,137.9	14.4	2.4	2.5
a) External	513.6	454.4	-11.5	1.2	1.0
b) Domestic	481.1	683.5	42.1	1.2	1.5
- Bank Borrowing	41.7	551.3	1220.8	0.1	1.2
- Non-Bank Borrowing	439.4	132.2	-69.9	1.1	0.3
Primary Balance	286.5	337.2	17.7	0.7	0.7
Revenue Balance	-489.4	-678.2	38.6	-1.2	-1.5
Gross Federal Receipts	2,969.6	3,071.6	3.4	7.1	6.7
Transfer to Provinces	1,325.8	1,280.1	-3.5	3.2	2.8
Net Federal Receipts	1,643.8	1,791.6	9.0	3.9	3.9
Federal Deficit	1,343.1	1,393.0	3.7	3.2	3.1
Provincial Surplus	348.4	255.1	-26.8	0.8	0.6
GDP (Current Market Prices)	**41,727**	**45,567**			

* Excludes grants to the provinces

Source: Finance Division